

2007 - 2008 ANNUAL REPORT



An agency of the Government of Ontario
Un organisme du gouvernement de l'Ontario

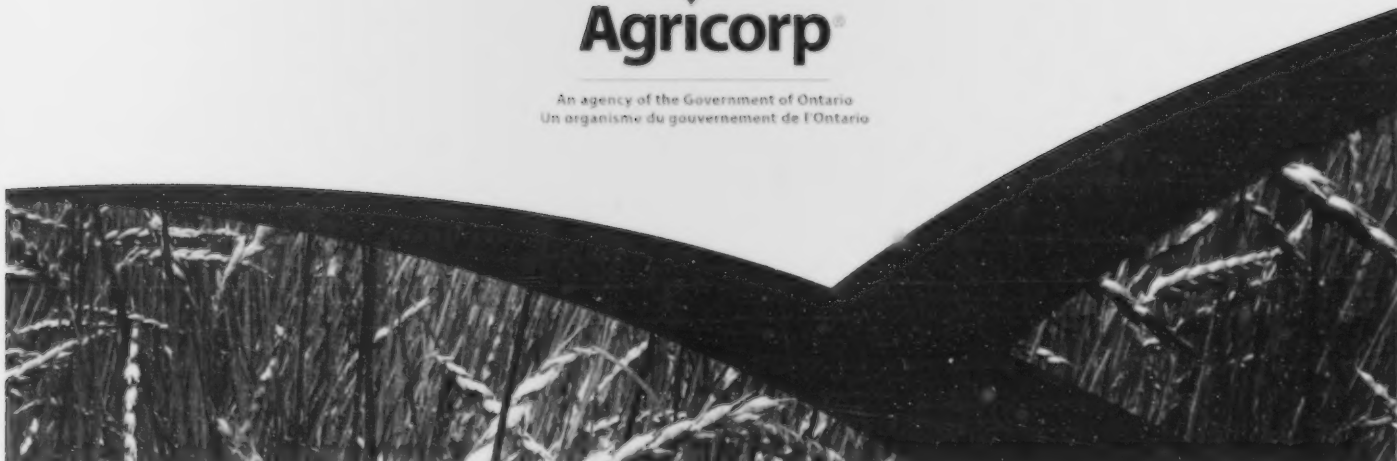
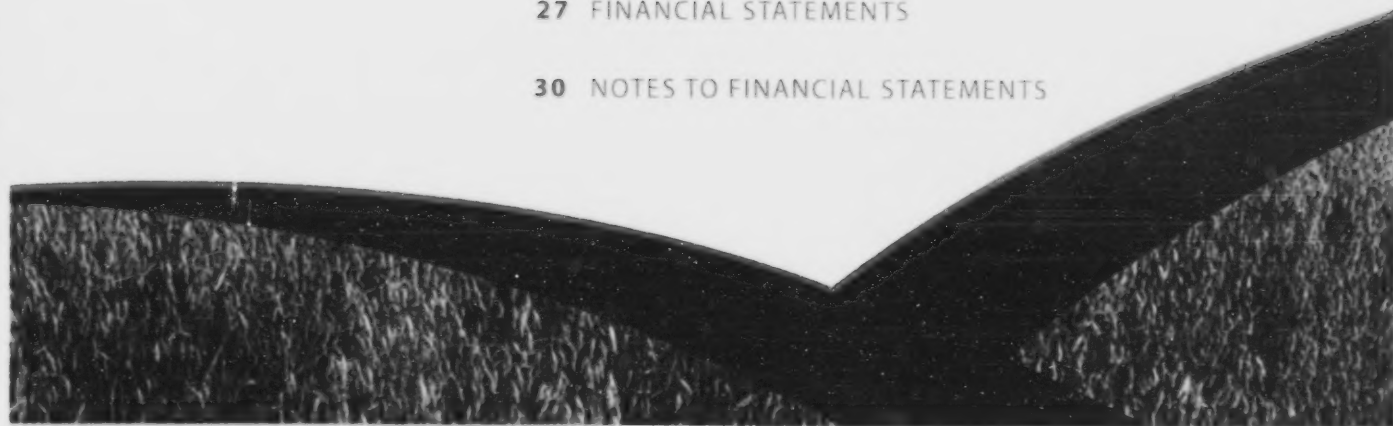




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introduction

IN PARTNERSHIP WITH THE MINISTRY OF AGRICULTURE, FOOD AND RURAL AFFAIRS AND THE AGRICULTURAL INDUSTRY, AGRICORP DELIVERS RISK MANAGEMENT PROGRAMS TO MEET THE CHANGING NEEDS OF ONTARIO'S PRODUCERS AND VARIOUS AGRICULTURAL SECTORS.

Agricorp strives to continually improve customer service and deliver business risk management programs accurately, efficiently, and in a way that earns the support and confidence of Ontario farmers.

Over the past few years, Agricorp's business volume and program complexity have grown significantly. In 2007-08, the agency delivered almost \$613 million in program benefits through 134,000 cheques ranging from \$25 to \$3 million. Agricorp currently administers nine core, and five ad hoc, business risk management programs. Many of these programs have multiple layers of intricacy as both the provincial and federal government incorporate a whole-farm, needs-based approach to their creation. This requires all programs to be interconnected and to be delivered more quickly. It also requires Agricorp's customers to understand how the programs relate to each other and how this connection affects and benefits them.

The organization's vision and mission, as well as a three-year Strategic Plan with a Balanced Scorecard that clearly outlines business objectives with quantifiable measures, is updated annually before it is submitted to the Minister. Performance is reported on a monthly, quarterly, and annual basis to the agency's stakeholders.

Vision

To be a versatile, customer-focused organization that works with partners to innovatively deliver programs and services that enhance the vitality of Ontario agriculture.

Mission

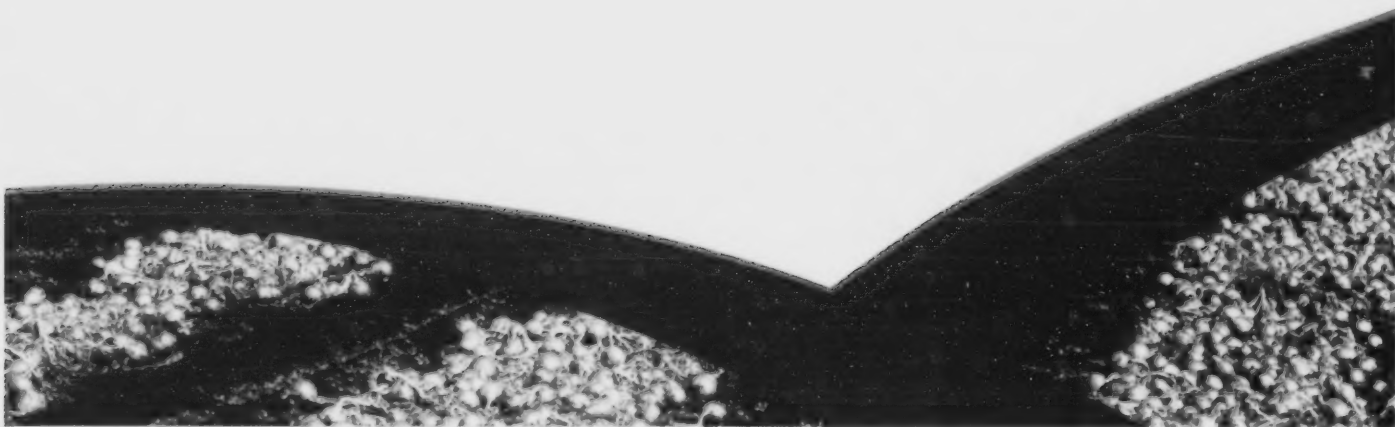
We connect producers with programs. We partner to deliver risk management programs that are responsive to the changing needs of agriculture.

Delivery is our strength. We focus on quality and efficiency in delivering our programs.

Our people are the foundation of our success. Collaboration and continuous improvement harness our many strengths for a common focus.

Customers are our priority. We help producers remain financially secure, retain current markets, and reach new ones with professional, quality, and efficient assistance.

We invest in the future of agriculture. We support our community in becoming a better place to live, work, and prosper.



Programs and Services

AgriCorp's mandate is to deliver agricultural farm support programs and other agricultural services for the farm, food, and rural sectors of Ontario. Farm support programs include major federal-provincial programs such as Production Insurance (formerly Crop Insurance) and the Canadian Agricultural Income Stabilization Program (CAIS, now AgriStability), as well as Ontario-only initiatives that target specific provincial needs such as the Risk Management Program and the Ontario Cattle, Hog and Horticulture Payment.

Core Programs:

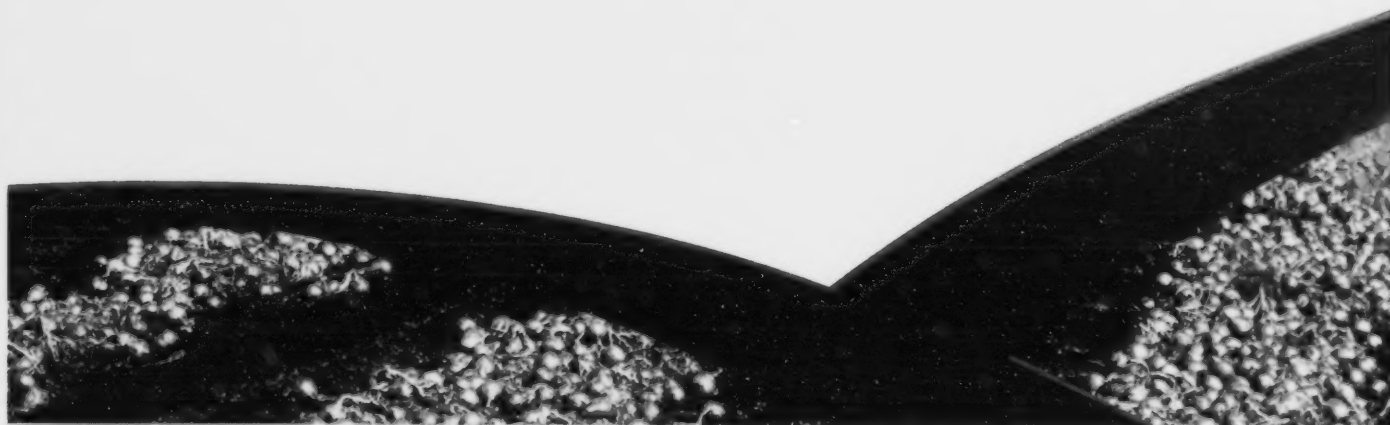
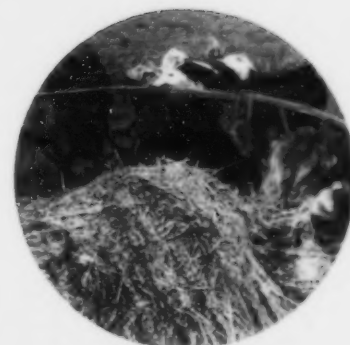
- AgriStability (formerly the Canadian Agricultural Income Stabilization (CAIS) Program)
- Production Insurance
- Ontario Risk Management Program for Grain and Oilseed Producers
- Advance Payments Program
- Dairy Credit Program
- Farm Business Registration
- Grain Financial Protection Program
- Self-Directed Risk Management
- Plum Pox Eradication Program

Ad Hoc Programs:

- Ontario Cattle, Hog and Horticulture Payment
- Ontario Cost-Recognition Top-up Program
- The Ontario Juice Grape Transition Program
- CAIS General Top-Up Program
- CAIS Inventory Transition Initiative
- Ontario Inventory Transition Program

Services:

- Product Verification





CHAIR'S *message*

THE FISCAL YEAR THAT ENDED MARCH 31, 2008
WAS ONE OF THE BUSIEST IN RECENT MEMORY
FOR AGRICORP.



This directly reflected the change and challenges seen in the agricultural sector this past year, including volatile markets, increased weather-related damage claims, and fluctuating prices, among other factors.

In response, Agricorp and its government and industry partners collaborated to quickly deliver current programs, launch and support new ad hoc programs, and allocate nearly \$613 million in payments to producers, often under exceptionally tight timelines. This handling of very large volumes of customers, claims, and financial transactions highlighted how important business risk management programs are to Ontario farmers.

Despite this unusually high level of activity, Agricorp made progress on several strategic objectives set out in its Strategic Plan, under its Balanced Scorecard section.

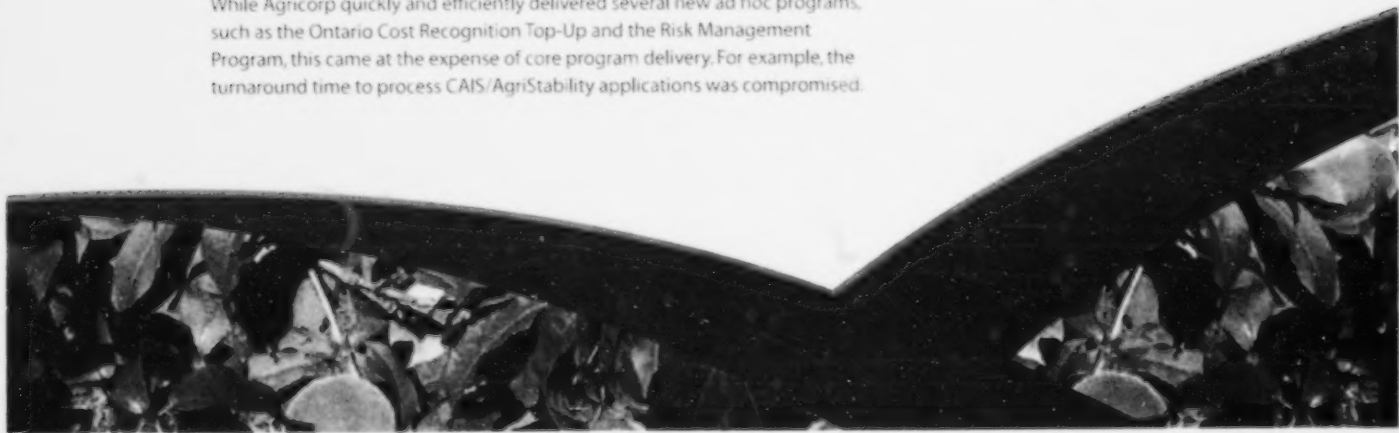
Results of the 2008 Customer Satisfaction Survey found that more than 75 percent of respondents rate Agricorp equal to or better than other agricultural companies and that compared to other agricultural companies, producers believe that Agricorp does a better job of operating with integrity and doing things right the first time.

Agricorp also saw improved results in all categories of its Employee Engagement Survey. Findings showed that Agricorp employees are highly engaged, understand the relationship between their job and the organization's corporate objectives, know what is expected of them, and feel that their work makes a real contribution to the success of Agricorp.

However, Agricorp experienced some challenges in achieving all of its goals in 2007-08. Many of the organization's short-term goals – developed around the delivery of ad hoc programs and in the midst of also delivering core programs – eclipsed long-term strategic initiatives, resulting in lower performance in a few areas.

While Agricorp quickly and efficiently delivered several new ad hoc programs, such as the Ontario Cost Recognition Top-Up and the Risk Management Program, this came at the expense of core program delivery. For example, the turnaround time to process CAIS/AgriStability applications was compromised.

"...WE ARE TAKING STEPS
TO ENSURE AGRICORP IS
DOING ALL IT CAN TO
OPTIMIZE PERFORMANCE
WITH EXISTING SYSTEMS."



This sacrifice in turnaround time was a necessary choice Agricorp made to meet new priorities, but it is not a model that is sustainable or ideal.

To address some of these challenges, the organization continued to advance its Business Transformation initiative, which proposes a new model of service delivery. This model foresees customers being able to choose risk management products using their preferred method of doing business. These may include more on-line registration, application, and data submission forms, and more focused service in the call centre. Better data from customers as well as consolidation of information will also enable Agricorp, in partnership with the Ministry, to deliver new products that more closely meet producers' needs.

Business Transformation will require significant investment in information technology and training over the next few years. When fully implemented, it will provide Agricorp with the proper resources and tools to quickly and efficiently administer core programs while accommodating the unexpected ad hoc programs created to meet specific agricultural needs. Agricorp is now working with the Ministry to secure funding for this important initiative.

In the meantime, we are taking steps to ensure Agricorp is doing all it can to optimize performance with existing systems. So, while this past year definitely had its challenges, Agricorp believes it is setting a strong foundation for the future.

I would like to take this opportunity to recognize Agricorp's employees. In 2007-08, many people put in many long hours to ensure that questions were answered, applications were processed, and cheques were mailed.

Thanks as well to the Minister and the Ontario Ministry of Agriculture, Food and Rural Affairs for their enduring support as Agricorp continues to move forward with all of its current and, extremely ambitious, future plans.

Finally, I also want to thank members of the Board of Directors for all their hard work and effort in 2007-08, and also recognize the previous Board Chair, Liam McCreery, for his dedication and service to the Agricorp organization.



Barbara J. Miller
Interim Chair



AGRICORP: *governance*

CREATED IN 1997 AS AN OPERATIONAL ENTERPRISE UNDER THE AUTHORITY OF THE AGRICORP ACT, 1996, AGRICORP IS GOVERNED THROUGH LEGISLATION, ITS RELATIONSHIP WITH THE ONTARIO MINISTRY OF AGRICULTURE, FOOD AND RURAL AFFAIRS (OMAFRA), ITS BOARD OF DIRECTORS, AND ITS DAY-TO-DAY MANAGEMENT.

As an agency of government, Agricorp is committed to high quality service and conducts itself according to accepted management principles, including ethical behaviour, accountability, and prudent use of public funds. Agricorp's operating decisions as they relate to individual producers must be made, and seen by the public to be made, at arm's length from government. Agricorp is responsible for operational decisions in the direct processing and delivery of agreed-upon government programs; however, the Minister remains accountable for the quality of program delivery and therefore has direct responsibility for ensuring the effectiveness and efficiency of the agency's operations. As an agency of government, Agricorp is also publicly accountable and is audited by provincial and federal auditors. Many of the programs Agricorp delivers are funded by the provincial or federal governments, or both.

Memorandum of Understanding

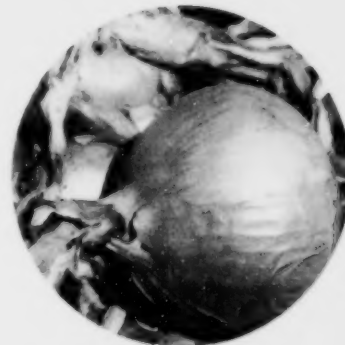
A Memorandum of Understanding (MOU) between Agricorp and OMAFRA sets out financial, operational, audit, and reporting arrangements for each organization. The MOU also details the principles guiding the organizations' relationship, the accountabilities of each party, and the roles and responsibilities of key individuals, such as the Minister, Deputy Minister and the Chair of Agricorp's Board of Directors.

An updated agreement has been developed and agreed to in principle by the Agricorp Board of Directors and OMAFRA staff.

Board of Directors

The Board of Directors is responsible for the overall performance of Agricorp. The Board and its committees meet quarterly, or more often as required by business demands, and have one annual strategic retreat.

Agricorp's Board of Directors has focused considerable energy on developing and enforcing appropriate structures and processes to direct Agricorp and ensure proper oversight of operations. A key element of good corporate governance is clearly defined roles, responsibilities, and relationships



between the government, the Board, and senior management. The Board has directed the development of a *Governance Handbook* to foster good corporate governance at Agricorp.

The Finance and Audit Committee

Agricorp's Board of Directors has appointed a Finance and Audit Committee to oversee and advise on the financial management of Agricorp, including:

- monitoring controllership and governance at Agricorp and reporting to the Board as appropriate
- communicating Agricorp's business needs, expectations, and priorities to the Ontario Internal Audit Services
- approving Agricorp's risk assessments and audit plans
- monitoring the adequacy and timely implementation of actions taken in response to audit recommendations
- ensuring compliance with the Internal Audit Directive
- meeting with the external auditors and the Auditor General staff as appropriate to review the year-end financial statements.

The committee also oversees the employee pension fund and Agricorp's investment management activities, including periodic reviews of the investment policy statements.

The following Board members made up the Finance and Audit Committee for 2007-08: Chris Button (Chair), Barbara Miller, George McCaw, and David Epp.

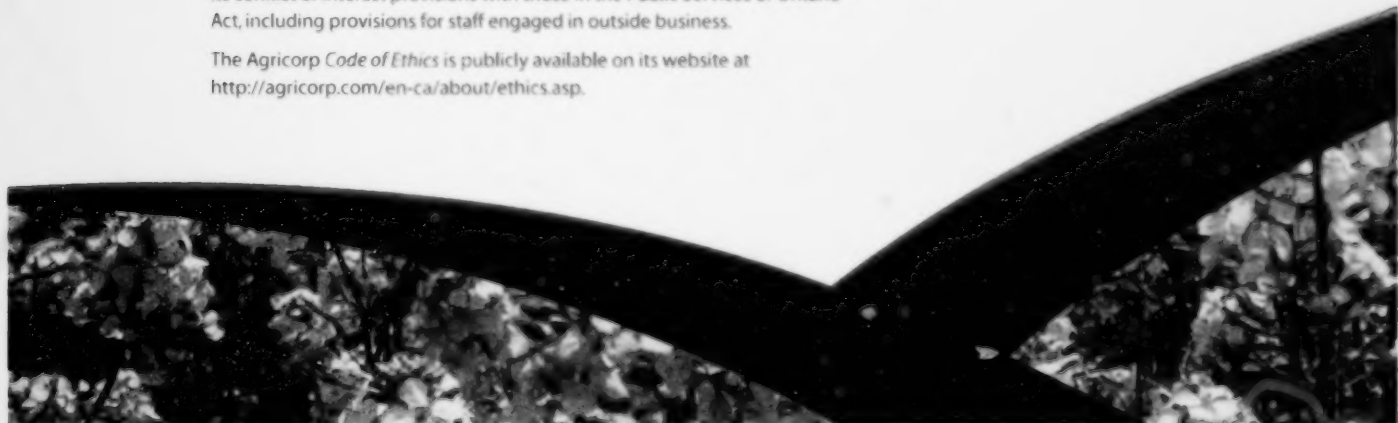
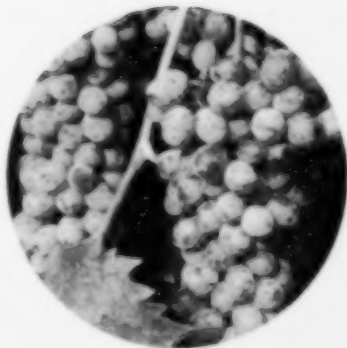
Code of Ethics and Professional Conduct

Agricorp has a Code of Ethics and Professional Conduct (the Code) to establish the standards of ethical behaviour and responsibility expected from its Board of Directors and employees in the day-to-day performance of their duties. Each year, all representatives of Agricorp, including board members, officers, and permanent, contract, and part-time employees, must sign a Code Declaration and a Confidentiality and Conflict of Interest Agreement to reinforce Agricorp's values and ensure that everyone understands corporate expectations.

Employees with a potential conflict of interest must also self-declare it when the conflict arises. Agricorp's compliance officer monitors the situation to determine the best way to resolve the conflict. Additionally, to help monitor the Code's requirements and enable programs to be delivered fairly, the compliance officer reviews any non-remuneration payments, such as farm support program indemnities, with Board members and employees to ensure that conflicts of interest are properly reported and resolved.

In summer 2008, Agricorp plans to further revise its processes to directly align its conflict of interest provisions with those in the Public Services of Ontario Act, including provisions for staff engaged in outside business.

The Agricorp *Code of Ethics* is publicly available on its website at <http://agricorp.com/en-ca/about/ethics.asp>.



Agricorp 2007-08 Board of Directors

The Board consisted of the following business professionals recommended by the Minister of Agriculture, Food and Rural Affairs, and appointed by the Lieutenant Governor.

Ms. Barbara J. Miller - Vice-Chair and Interim Chair

Tenure with Agricorp Board: February 7, 2007 to July 24, 2008

Ms. Miller resides in Toronto and is currently the President and CEO of Woodwyde Inc., a consulting firm working with clients whose business plans require the collaboration of the private and public sectors. In the past, she held positions as Deputy Minister, Ontario Ministry of Economic Development and Trade; Division President, Ault Foods/Parmalat; and Chief Administrative Officer/Director, Food Industry Competitiveness, OMAFRA. Ms. Miller's community involvement includes serving as Chair of the Innovation Institute of Ontario, member of the University of Guelph's Board of Governors and Vice-Chair of its Audit Committee. She is also on the Institute of Agri-Food Policy Innovation's Advisory Board. She holds a Bachelor of Food Science from the University of Guelph and a Masters in Business Administration from Queen's University.

Mr. Gerald Beaudry

Tenure with Agricorp Board: June 14, 2005 to June 13, 2008

Mr. Beaudry lives in Verner, a farming community of Nipissing District, where he has grown pedigree seed for the past 20 years. A former teacher of math and science at École Secondaire Franco-Cité Sturgeon Falls, he has served as a school trustee and as a municipal councillor. Mr. Beaudry is a provincial director of l'Union des cultivateurs franco-ontariens, provincial director of the Ontario Soil and Crop Improvement Association, and local president of West Nipissing Soil and Crop Improvement Association. He is a long-time supporter of research at the Verner test site, managed by the New Liskeard Agricultural Research Station.

Mr. Chris Button

Tenure with Agricorp Board: July 5, 2004 to July 4, 2010

Mr. Button has provided financial services to people in the agri-food business since 1985. As a partner in the firm of DenHarder McNamers Button, Certified General Accountants, he advises clients on business finances and tax matters. Mr. Button graduated from the University of Western Ontario in 1983 with a B.A. and has since achieved his C.F.P., C.G.A. and Trust and Estate Practitioner designations. Since 1999 he has held several executive positions in the Aylmer and Area Chamber of Commerce and with the Business Retention and Expansion Project.



Agricorp's 2007-08 Board of Directors, from left to right:

David Epp, Barbara Miller, John Van Turnhout,

William (Bill) Allison, Chris Button.

Absent: Gerald Beaudry and George McCaw



Mr. David Epp

Tenure with Agricorn Board: February 7, 2007 to February 6, 2010

Mr. Epp lives in Leamington and is a third-generation farmer and co-owner of Lycoland Farms Ltd. With his brother, he farms 650 acres of processing tomatoes, peas, sweet corn, cucumbers, green and wax beans, seed corn, and cash crops. Mr. Epp has been very active with the Ontario Processing Vegetable Growers as an elected District 1 representative since 1989, a provincial director since 1995, and Chair from 2001 to 2003. He holds a Bachelor of Theology from Canadian Mennonite University.

Mr. George McCaw

Tenure with Agricorn Board: March 2, 2005 to March 1, 2008

Mr. McCaw was raised on a cattle and grain farm in Middlesex County. After graduating from the University of Guelph with an M.Sc. in Agricultural Economics, he worked in Ottawa for the federal Department of Finance. Mr. McCaw then worked as a policy advisor in 1990 at OMAFRA, then at Ridgetown College from 1990 to 1996. Moving to Guelph in 1996, his focus was business risk management programs, including Production Insurance and the Canadian Agricultural Income Stabilization program. Mr. McCaw also worked for two years as Director of OMAFRA's Financial Management Branch.

Mr. John Van Turnhout

Tenure with Agricorn Board: June 14, 2005 to June 13, 2008

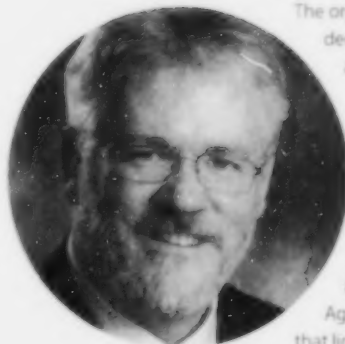
Mr. Van Turnhout lives in Berwick, a small farming community southeast of Ottawa. He has been farming since the mid-1960s, in dairy, cash crop, and custom work. An active member of the community, he has served as Director of the St. Lawrence River Institute of Environmental Sciences and was a founding member of Stormont-Dundas-Glengarry Land Stewardship Program. Mr. Van Turnhout was also program leader for the Environmental Farm Plan for Stormont County.

"AGRICORP IS COMMITTED TO HIGH
QUALITY SERVICE AND CONDUCTS ITSELF
ACCORDING TO ACCEPTED MANAGEMENT
PRINCIPLES, INCLUDING ETHICAL
BEHAVIOUR AND ACCOUNTABILITY."



CEO'S *message*

FISCAL 2007-2008 WAS A SIGNIFICANT YEAR FOR AGRICORP.



The organization entered its second decade with a marked increase in activity in nearly all aspects of its business. The year saw higher volumes in all customer-facing interactions, including the number of programs, payments, and dollars delivered, the quantity of customer calls received and answered, and the daily visits to Agricorp's website. New programs that linked to existing ones were created, and new policies, changes and fees were applied to core programs.

As a result, Agricorp had to grow and change very rapidly to adapt to emerging priorities, and although the organization generally met agreement obligations, it wasn't without significant challenges. These challenges have clearly highlighted the need to address the aging technology infrastructure which has evolved with individual programs over the years.

Agricorp's Three-Year Strategic Plan and related Business Transformation Business Case outlines a vision to modernize processes and technology to enable Agricorp to meet producers' and its own expectations for superior customer service.

Since transformation will take time, for now Agricorp is concentrating on continuous improvement and on those things it can address in the short term, such as enhancing day-to-day customer service and program delivery. For example, customers have told us that CAIS/AgriStability information is not as clear as it could be. Over the next year, we are reviewing all AgriStability communications to deliver more timely, concise, and quality information. The

organization also needs to improve service options for customers so they can access their program information and report their farm data to Agricorp more quickly and efficiently. Providing producers with a comprehensive overview of their farm, program, and financial information with Agricorp is another important goal for the short term. Agricorp is also working on how it can improve its ability to respond to ad hoc program requests without negatively impacting other services.

This past year, in collaboration with OMAFRA staff, a new Operational Council was established to ensure a proper level of rigour in key accountabilities, such as ensuring the alignment of program operation with government goals and identifying and effectively managing opportunities and risks as they arise, among other activities.

In closing, I want to recognize the excellent staff at Agricorp who are responsible for the many successes of the past year, which are highlighted in this report. When the need to deliver programs is as great as it was this year, it is the talented and skilled people at Agricorp who figure out how to get things done, and deliver. Agricorp's employees remain extremely committed to providing excellent customer service and operate with a high degree of integrity. Every day they do their part to help ensure programs are delivered to Ontario producers in a professional manner.

I also thank the Board of Directors for their strong leadership and support and would like to recognize the contribution, hard work, and support of our partners and colleagues at OMAFRA.

Randy Jackiw



THE YEAR IN *review*

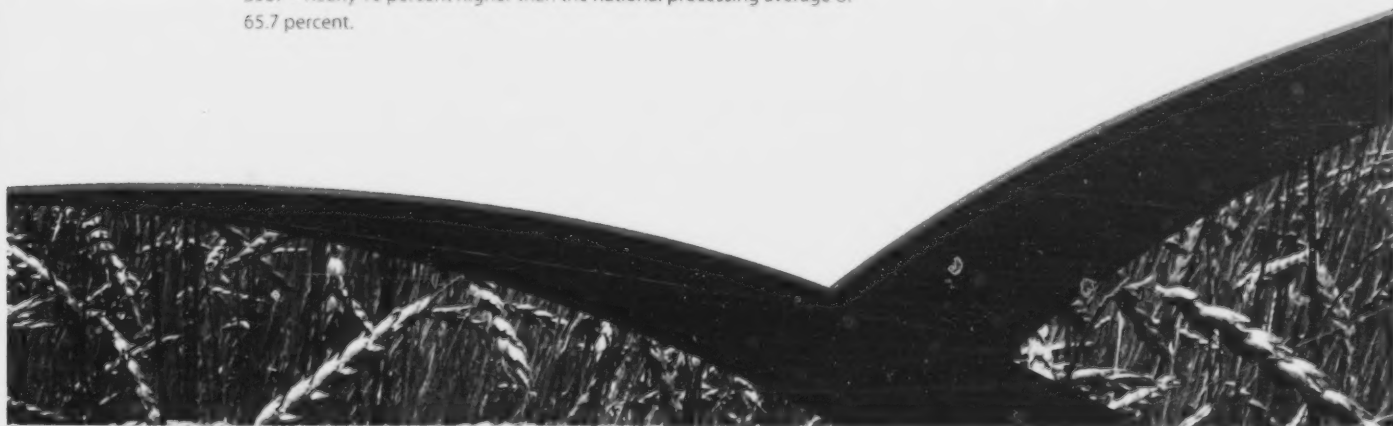
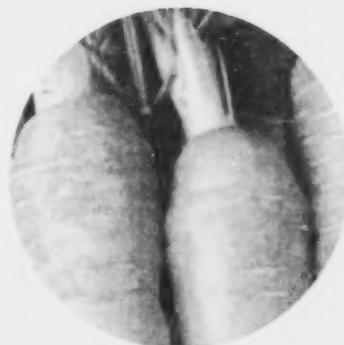
EXTREMELY DRY WEATHER, A HIGH CANADIAN DOLLAR, RISING PRODUCTION COSTS, FLUCTUATING MARKET PRICES, METHICILLIN-RESISTANT STAPHYLOCOCCUS AUREUS BACTERIA IN HOGS, AND MORE STRINGENT LIVESTOCK REGULATIONS ALL ADDED UP TO A DIFFICULT YEAR FOR ONTARIO'S AGRICULTURAL SECTOR.

While the core programs of Production Insurance (PI) and the Canadian Agricultural Income Stabilization (CAIS/AgriStability) Program provided significant coverage, more was needed to target specific producer needs. The Ministry, in partnership with Agricorp, announced several new programs in 2007-08. At the same time, Agricorp enhanced the delivery of the Production Insurance and CAIS/AgriStability programs.

While Agricorp met its delivery obligations and most timelines, and issued payments efficiently, it had to re-direct resources away from other priorities to make this happen.

Outlined in this section are Agricorp's key activities of 2007-08, including:

- The distribution of more than \$100 million in payments due to a tripling of Production Insurance claims from recent years
- The implementation of several customer service initiatives to handle the additional 20 percent increase in customer contacts experienced over the previous year, among other customer service improvements
- The expedited processing of CAIS/AgriStability files for participants demonstrating financial distress, which led to interim payments delivered, on average, in less than 10 days
- The delivery of more than \$44 million to nearly 12,000 grain and oilseed producers by end of December 2007 under the Ontario Risk Management Program for Grains and Oilseeds (RMP)
- The February 2008 delivery of \$130 million to eligible cattle, hog, and horticulture producers in financial distress
- The processing of 74 percent of CAIS application files by December 31, 2007 – nearly 10 percent higher than the national processing average of 65.7 percent.



Through these successes and challenges, several core goals and activities remained constant: a desire to provide superior customer service, the timely delivery of new programs to meet producers' changing needs, and the continuous provision of essential programs designed to help Ontario producers.

Customer Service

Improvements

Agricorp strives to recognize, respect, and satisfy the delivery needs of its customers, and meeting producers' needs remains one of its key strategic priorities. In 2007-08, Agricorp developed several initiatives to achieve these customer service objectives, including:

- The enhancement of customer call monitoring and quality, leading to a reduction in abandoned calls from customers – a five percent rate in March 2008, down from 15 percent in October 2007
- The strengthening of relationships with grain and oilseeds stakeholders through the RMP Advisory Committee, resulting in improvements to the design and delivery of RMP
- As part of launching a new pilot program for Fresh Market Vegetable (FMV) growers, the creation of an FMV/Horticulture Advisory Committee and the surveying of participants in the first FMV pilot. This led to improvements in the new program's design, delivery, and data collection. The feedback also resulted in specific enhancements to the expanded 2008 FMV pilot
- The holding of information sessions across the province to introduce both RMP and FMV, leading to a better understanding of eligibility criteria and the complex features and unique benefits of each program.

Customer Calls

Agricorp experienced approximately 41,000, or 20 percent, more customer contacts in 2007-08 than in the previous year (phone calls, emails, and voicemail). To address the high call volume, Agricorp implemented a plan for the busy fall that included:

- Extended call centre hours (7 a.m. to 7 p.m.)
- Added call centre resources
- Expanded service options (fax, email, or voicemail) with a call back from Agricorp within 48 hours for producers who left messages.

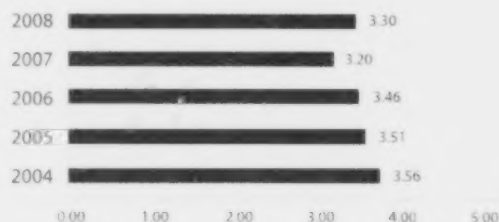
Because of this heightened focus on improving the customer experience in 2007-08, Agricorp saw an increase in producer satisfaction with its call centre and field staff service, among other services, as demonstrated by results of its annual Customer Satisfaction Survey.

Customer Satisfaction Survey

In March 2008, an independent consulting company surveyed 300 growers on behalf of Agricorp to better understand customers' experience with the organization and identify areas where it can improve.

Agricorp's goal to maintain or improve ratings year over year was achieved with the latest survey: Overall performance ratings for Agricorp trended higher in 2008 compared to 2007 (see chart below).

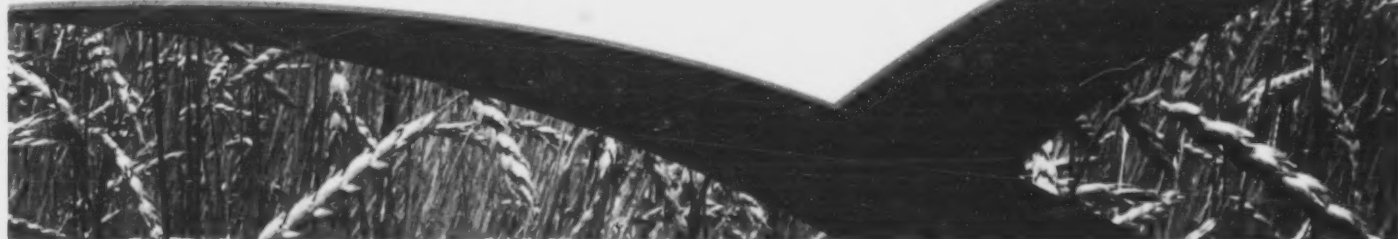
Trend in Overall Performance of Agricorp



For example, more than 75 percent of respondents rated Agricorp equal to or better than other agricultural companies. The organization also ranked highest in the areas of "operating with the utmost integrity" and "doing things right the first time."

When it comes to year-over-year performance, Agricorp saw improvement in all areas, including program delivery, running the business efficiently, and communicating effectively.

Although the trend for 2008 is moving in the right direction, Agricorp is paying close attention to these results and is working to improve its efficiency, communications, and customer service options.



Payment Delivery

The annual number of cheques Agricorp issues has grown dramatically over the past few years, with the 2007-08 year recording the highest number of cheques delivered to date:

Fiscal Year	Number of Cheques	Dollar Amount
2007-08	134,000	\$613 million
2006-07	98,000	\$545 million
2005-06	35,000	\$355 million

Agricorp is committed to getting financial support into producers' hands as quickly and efficiently as possible. To this end, the organization continues to develop more robust and formal processes to manage the larger and more complex number of programs it now administers.

Core Programs

Ontario Risk Management Program for Grains and Oilseeds (RMP)

In August 2007, the provincial government announced a new risk management program to provide Ontario's 25,000 grain and oilseed producers with the support they need to compete and succeed in the global economy. RMP is a three-year price support pilot program designed to offset losses caused by low commodity prices. Funded partly by producers through premiums that will be collected starting in 2008-09, payments are triggered when prices for grains and oilseeds fall below specific support prices.

At its launch, RMP had very aggressive delivery timelines, which Agricorp met. By the end of December 2007, nearly 12,000 grain and oilseed producers had received pre-harvest payments totalling over \$44 million. Most post-harvest payments for 2007 RMP participants were to be delivered in June 2008.

RMP was designed as part of a complete risk management package for Ontario's producers, and so those who wanted to participate in RMP also had to enrol in both the PI and CAIS/AgriStability programs. This added a whole new level of complexity to Agricorp's program delivery, as it is the first program that requires producers to participate in multiple risk management programs. Determining eligibility for RMP also involved

cross-checking customer records in two different computer systems to verify producer compliance. With multiple program deadlines that didn't align, Agricorp also faced the risk of issuing RMP payments to producers who might later become ineligible by not meeting CAIS/AgriStability or PI program requirements, resulting in overpayments. RMP payments were, and are, also considered an advance on the Ontario portion of CAIS/AgriStability benefits, involving the intricate task of coordinating data across multiple systems and programs.

Agricorp launched a major employee recruitment drive to manage the extra workload generated by RMP. The organization also invested in significant IT development to obtain the systems required to deliver the program efficiently and accurately.

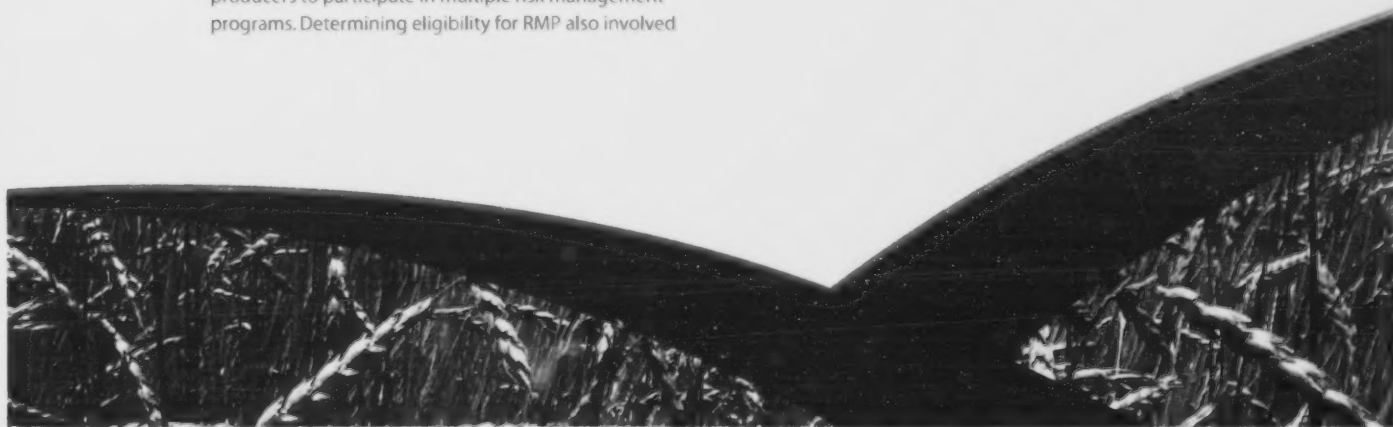
In 2008, producers enrolled in both PI and RMP received their 2007 renewal information in one consolidated package. As the organization continues to implement RMP, Agricorp will continue to consolidate operating processes across programs to ensure these programs are delivered in a timely and accurate fashion, and to the satisfaction of its customers and stakeholders.

Production Insurance (PI)

PI is a business risk management program that protects Ontario producers from yield reductions and crop losses caused by adverse weather and other insured perils. Payments are triggered when the total harvested yield is less than the guaranteed production.

More than 15,000 producers enrolled in PI for the 2007 crop year, representing more than 4.4 million acres and \$1.8 billion in liability. Insurance coverage is available on more than 60 commercially grown crops. Claim payments for the 2007 crop year exceeded \$100 million, much of this driven by a very dry summer which led to a tripling of claims over recent years:

Crop Year	Number of Claims	Claim Value (rounded to nearest million)
2007	12,102	\$112 million
2006	5,798	\$34 million
2005	9,223	\$66 million



PI Plan Enhancements

In an effort to anticipate future customer needs and help industry in the design and delivery of relevant business risk management programs for Ontario producers, Agricorp introduced a number of enhancements to PI. Two notable enhancements were the changes to winter wheat plans and the launch of the Fresh Market Vegetable – Acreage Loss (FMV-AL) program.

Winter Wheat

Beginning in 2008, winter wheat producers can choose from three new separate plans for soft white, soft red, and hard red winter wheat plans, each with its own premium rates and claim prices. Agricorp also began piloting two new plans for organic winter wheat and organic winter spelt. These new plans provide better coverage because they reflect the different production practices, risks, yields, and prices of each class.

Fresh Market Vegetable – Acreage Loss (FMV-AL)

Launched in 2007, the FMV-AL pilot was created to address the unique needs of the fresh market vegetable industry. The pilot represents a fundamental change to how Agricorp delivers PI by providing site-specific coverage for major losses at the field level. Agricorp's goal was to attract 40 growers to the 2007 pilot. Thirty-four growers from across the province took part, 41 percent of whom were new to PI.

Overall, producer and industry feedback on the 2007 FMV-AL pilot was positive. Specifically, participants rated quite highly plan features such as the spot loss coverage, and the quality of Agricorp's customer service.

Detailed feedback from a 2007 survey of all FMV-AL participants helped Agricorp identify gaps and opportunities to improve program design, delivery, and customer satisfaction for the expanded 2008 pilot. These improvements included the addition of crops not previously insured under the program, such as garlic, sweet potatoes, and fresh green peas. Threshold levels for sweet corn and Spanish onions were also revised, and new crop descriptions for yellow onions, celery, melons, and watermelons were added. As a result, the 2008 pilot

was expanded to include more growers across Ontario. Seventy-six participants are currently enrolled in the 2008 FMV-AL pilot, including 80 percent of those who participated in 2007.

The FMV-AL plans will continue to gather more Ontario-specific crop information including market price, grading standards, cost of production, yield potential, and agronomic practices. Ongoing participant and industry collaboration will help identify opportunities to further improve the delivery of this new program.

Growing Forward and CAIS Program

On June 29, 2007, federal, provincial and territorial ministers of agriculture agreed on *Growing Forward*, the basis from which governments will negotiate a new agricultural policy framework and work with industry to develop new programs.

The vision of *Growing Forward* is a profitable and innovative agriculture, agri-food and agri-based products industry that seizes opportunities to respond to market demands and contributes to the health and well-being of Canadians.

AgriStability and AgriInvest are the first programs available under *Growing Forward*. These new initiatives respond to farmer demands for programs that are simple, responsive, predictable, and bankable. Together, they replace the coverage previously provided under CAIS, a joint federal/provincial/territorial business risk management program which protects producers against large and small drops in their farm income in a given year.

AgriStability is delivered by Agricorp and covers margin declines of more than 15 percent; AgriInvest is delivered by the federal government and replaces coverage for margin declines of 15 percent or less. Agricorp is delivering the 2006 CAIS program year concurrently with 2007 AgriStability, which involves different margin coverage and different rules for calculating program benefits. In addition, the organization has started delivering 2008 AgriStability for those producers seeking interim payments or who have off-calendar year ends.



CAIS Delivery

Agricorp has set several internal performance measures for CAIS program delivery, including turnaround time and quality. Agricorp's goal was to process 95 percent of files by December 31. In 2007-08, Agricorp missed its internal processing target as it processed 74 percent of files by December 31, 2007. (The national processing average is 65.7 percent for the federally delivered CAIS program in British Columbia, Saskatchewan, Manitoba, Newfoundland, New Brunswick, Nova Scotia and Yukon, and 64.3 percent for the remaining provinces).

CAIS has changed steadily since its inception in 2003. For the 2006 program year, governments changed the way CAIS valued inventory, requiring Agricorp to alter its method of processing files, and re-calculate files for previous years.

In 2007-08, Agricorp continued to resolve data and calculation issues while wrapping up delivery of two large ad hoc programs: the CAIS Inventory Transition Initiative (CITI) and the Ontario Inventory Transition Payment (OITP).

Governments also introduced a CAIS fee for 2006, which required significant system changes and resulted in additional communications to customers. The fee entailed two deadlines: one payment deadline without penalty, and a second final payment deadline that would incur a 20 percent penalty.

Despite these challenges, Agricorp took steps to expedite the processing of CAIS files for participants who demonstrated financial distress and also enabled them to apply for an interim CAIS payment. Interim payments were delivered, on average, in less than 10 days, or approximately 20 days below the national processing goal of 30 business days.

As the deliverer of CAIS/AgriStability in Ontario, Agricorp recognizes that it can do a better job of delivering payments to producers more efficiently. The organization is working to respond quickly to ad hoc requests without compromising core programs such as CAIS/AgriStability.

Ad Hoc Programs for Producers Facing Financial Pressures

In 2007-08 Agricorp delivered three new ad hoc programs: Ontario Cost Recognition Top-up (OCRT), the Ontario Juice Grape Transition Program (OJGTP) and the Ontario Cattle, Hog and Horticulture Payment (OCHHP). OCRT was an Ontario top-up to a federal payment program that helped producers deal with increased production costs. The juice grape program helped reimburse Ontario producers who

removed grape vines in response to declining demands for juice grapes. OCHHP, the largest of the three programs, was an Ontario-only program that helped the cattle, hog, and horticulture sectors.

Ontario Cattle, Hog and Horticulture Payment

In December 2007, Ontario's Economic Outlook and Fiscal Review announced \$150 million to help cattle, hog, and horticulture producers in financial distress. As of March 31, 2008, approximately 96 percent of eligible producers had received their OCHHP payments. Agricorp mailed nearly 13,000 cheques to producers totalling over \$130 million in income support. Agricorp continues to receive and review new data from the federal government, and it is issuing additional payments as eligible producers come forward.

Producers had an immediate need and OCHHP's program design accommodated this by not requiring them to apply for this one-time payment. Eligibility was determined by whether they had previously received a federal Cost of Production payment or Ontario Cost Recognition Top-up Payment, and had at least half of their sales as reported to the Canada Revenue Agency come from any combination of cattle, hogs, or horticulture in either 2005 or 2006. Producers' OCHHP payment was based on their operation's entire average Allowable Net Sales, including sales of other commodities.

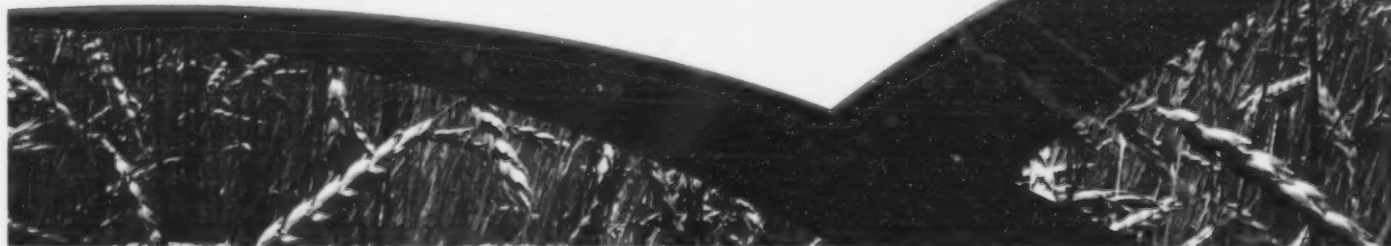
Additionally, to help producers anticipate their own OCHHP payments, Agricorp provided several sample calculations on its website.

Other Agricorp Initiatives

Data Management System (DMS)

In 2007-08, Agricorp continued to develop its Data Management System which tracks important crop information using global positioning system technology. The information captured is essential to ensuring the continued relevance of its Production Insurance plans and is also becoming increasingly important to growers and commodity groups.

DMS was originally developed to collect information related to crop attributes, varieties, locations, yield, quality, and cultural practices for apples. The system's functionality has since expanded to include fresh market vegetables, in addition to apples and grapes. The information collected is critical to supporting Production Insurance for high value crops.



Recovery of Overpayments

Over the past five years, Agricorp has delivered \$2.1 billion – including \$156 million in targeted advances – to producers struggling with challenging market, weather, and financial conditions. (See table below outlining the past three years).

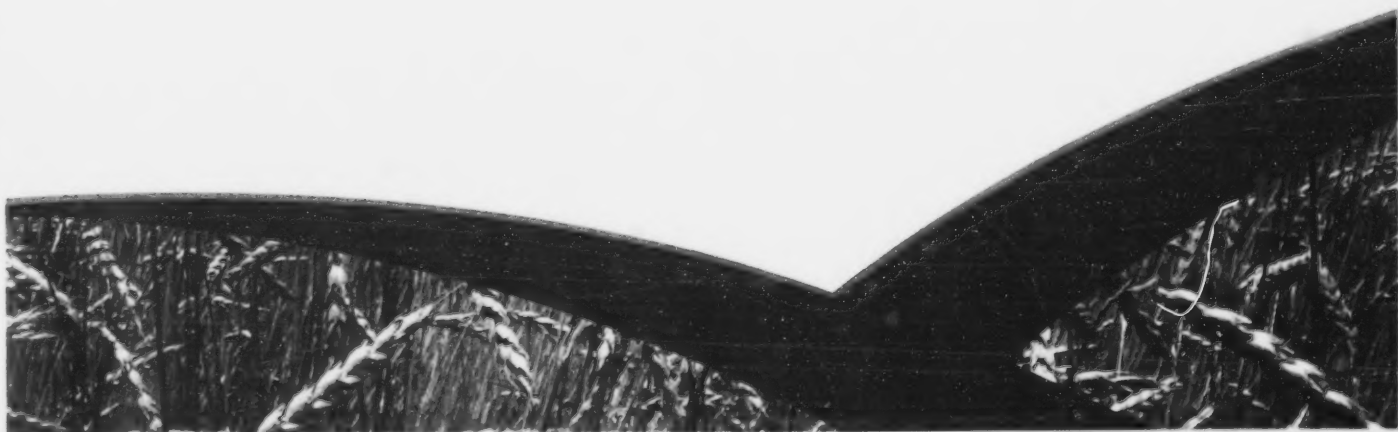
Volume of Cheque Production

Major programs	2005-06		2006-07		2007-08	
	#	\$ (millions)	#	\$ (millions)	#	\$ (millions)
Production Insurance	10,270	66.5	6,408	36.7	13,276	106.6
CAIS	15,997	210.1	17,572	225.0	12,027	234.6
SDRM	2,750	45.8	1,575	25.5	1,506	10.6
GTUP	4,639	21.0	10,751	20.1	10,703	13.9
OGOP			19,543	74.1		
OEHCPC			8,861	34.0		
RMP					11,892	44.5
OCRT					65,022	48.8
CITI			16,913	78.3	3,355	12.5
OITP			16,331	51.2	3,026	7.7
OCHHP					12,869	130.0
OJGTP					235	2.5
Other	1,415	12.1	231	0.1	423	1.1
Total	35,071	355.5	98,185	545.0	134,334	612.8
Increase over previous year			180%	53%	37%	12%
Increase over 2005-06					283%	72%

Note: may include cheques that have been subsequently cancelled for a variety of reasons.

Targeted Payment Advances

In accordance with established policy and program designs, Agricorp has prepaid or advanced over \$156 million to producers over the past five years, under all of its programs, including CAIS. Targeted advances are sent to producers before their actual final CAIS benefit is calculated, so that they can quickly deal with financial distress in their operations. Targeted advances are then recovered when the producers' actual CAIS applications are processed. As of March 31, 2008, \$78 million in targeted advances remained to be applied against final program payments.



Adjustments and Overpayments

Also as of March 31, 2008, \$24 million had been overpaid to producers as a result of incorrect information on applications submitted to Agricorp, adjustments from producer audits, and errors made in the processing of applications. More than half of the total overpayment, or \$8.6 million, was associated with the ad hoc CITI/OITP program. The majority of the remaining overpayments, or \$5.8 million, occurred in the CAIS program. All overpayments are being recovered from future payments with no interest charged to producers, as directed by the provincial government.

Overpayment Collection

To enable Agricorp to collect on these overpayments, a number of enhancements to its IT system are in the process of being implemented. An updated Recovery Plan is also under development. The plan will specifically address producers who no longer participate in Agricorp programs. A new collection policy which addresses these issues is also under discussion with the Ministry.



Ongoing Audits

Agricorp adheres to a rigorous audit schedule, with an average of 10 to 15 audits and reviews every year. The Board of Directors' Audit and Finance Committee manages this yearly audit process, which is conducted on a priority basis set by the risk management assessments and recommendations of senior management and the Ontario Internal Audit Division of the Treasury Board Office.

Agricorp devotes significant resources to providing information and implementing audit recommendations. Some of the audits in 2007-08 included:

- CAIS Internal Audit
- CAIS Program Audit
- PI and IT Internal Audits
- Plum Pox Audit
- Audit of Investments
- Financial Audit
- Value for Money Audit
- Pension Plan Audit

Value for Money Audit

In August 2007, the Minister of Agriculture, Food and Rural Affairs requested a Value for Money (VFM) audit of Agricorp. The Office of the Ontario Auditor General began the audit in October 2007 and was to deliver a report to the Minister's office in Summer 2008. The audit's objectives were to assess whether Agricorp has adequate procedures in place to deliver critical farm support programs that meet the needs of Ontario farmers efficiently, effectively, and in a transparent manner, and to advise the Minister on the delivery of CAIS to help ensure the program cost-effectively meets the needs of Ontario farmers.

"AGRICORP ADHERES TO A RIGOROUS AUDIT SCHEDULE, WITH AN AVERAGE OF 10 TO 15 AUDITS AND REVIEWS EVERY YEAR."



AGRICORP'S *people*

ONE OF AGRICORP'S GREATEST STRENGTHS IS ITS PEOPLE. THE ORGANIZATION'S EMPLOYEES ARE WELL TRAINED AND KNOWLEDGEABLE, AND HAVE FIRST-HAND EXPERIENCE IN THE AGRICULTURAL INDUSTRY.

As of March 31, 2008, Agricorp employed 301 full-time, permanent staff, and 148 seasonal or contract staff to meet the high demands and seasonal trends of both its core and ad hoc programs. Administrative costs for provincial-only and federal-only programs are funded by the respective governments at 100 percent. Administrative costs (approximately \$40 million per year) are shared 60:40 for joint federal/provincial programs.

In 2007-08, Agricorp marked several people-related achievements, including:

- Quickly and efficiently recruiting highly-qualified employees to meet the delivery timelines of its new ad hoc programs, resulting in a 100 percent increase in recruitment volume from the previous year
- Enabling its working environment to better deliver on its programs by implementing a new organizational structure and role clarity for senior management and managers across the organization, specifically in information technology
- Significantly increasing its focus on employee training and development.

High Five

Recognizing great employees

In 2007-08, 30 Agricorp staff members and two teams were nominated for formal High Five awards. Five employees received a formal award at Agricorp's Annual All-Staff Meeting, for exemplifying one of its five core qualities:

Collaboration

Diane Spratt, *Manager, Program Delivery*

Professionalism

Shannon Behmann, *Lead Customer Service Representative, Program Delivery*

Quality Focus

Barb Parker, *Senior Financial Analyst, Program Delivery*

Efficiency

Angela Levesque, *Payroll and Benefits Specialist, Human Resources*

Productivity

Valerie Smith, *Manager, Corporate Services*



Agrimcorp believes that having committed, enthusiastic, and high-performing staff is essential to its success. To support these goals, Agrimcorp has the following processes in place:

- **Performance Management** – A dynamic performance planning and review process to help employees set performance targets. As a result, staff have a good understanding of Agrimcorp's business plan and how their work contributes to the organization's success.
- **Competency Based Talent Management (CBTM)** – Attracting, recruiting and retaining qualified and highly-skilled candidates is an important goal at Agrimcorp. To this end, in 2007-08 the organization conducted competency profiles for staff in Research and Development and Human Resources, and the Senior Management Team. As part of its organizational design, it also implemented CBTM methodology into all recruitment searches and profiled all new management positions for competency.
- **Ongoing Learning and Employee Development** – Agrimcorp supports learning and development opportunities for staff. The organization's ongoing employee development program includes managerial and technical training, and sponsorship of relevant education.
- **Employee Recognition** – Agrimcorp's employee recognition program, High Five, enables employees to recognize their peers for individual and team contributions, and for living up to the organization's core qualities of proactivity, professionalism, collaboration, efficiency, and quality focus.
- **Open Forums** – To keep the lines of communication open between Agrimcorp's Senior Management Team and its employees, the organization holds Open Forums during the year. More than 85 percent of employees responding to a follow-up survey rated the 2007-08 Forums as "Good" or "Excellent" for clearly outlining Agrimcorp's direction and priorities for the year.
- **Supporting the Community** – In August 2007 Agrimcorp staff chose the United Way as their preferred channel for supporting charities in the communities where it operates. As a result of its fundraising efforts, Agrimcorp earned a 2007 First-Time Employee Campaign Award for its demonstrated enthusiasm toward its United Way fundraising campaign.



"AGRICORP BELIEVES THAT HAVING COMMITTED, ENTHUSIASTIC STAFF IS ESSENTIAL TO ITS SUCCESS."





LOOKING *forward*

AS GOVERNMENT AND INDUSTRY RESPOND TO CHANGING NATIONAL AND INTERNATIONAL POLITICAL, ECONOMIC, ENVIRONMENTAL, AND TECHNOLOGICAL CONDITIONS, AGRICORP ALSO CONTINUES TO ADAPT TO MEET NEW DEMANDS AND CHALLENGES. THE ORGANIZATION HAS IDENTIFIED THE FOLLOWING FUTURE TRENDS AS AREAS OF PARTICULAR ATTENTION:

Customers' needs

Customers are becoming increasingly sophisticated in their use of technology in business practices, and they expect flexible delivery channels, web portals, and 24-hour access. Agricorp is lagging behind provincial and federal governments in developing e-government solutions. As internet services for rural Ontario improve, more Agricorp customers are moving towards web-based self-service channels, highlighting the importance of online privacy and security. All of these issues will present challenges to meeting customers' expectations in both web information and electronic transactions.

Commodity prices

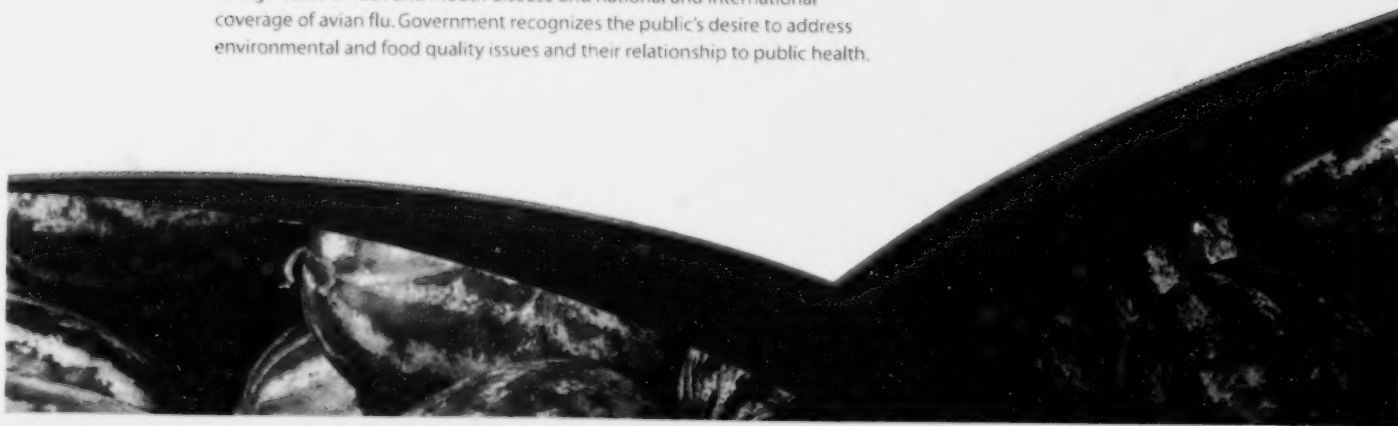
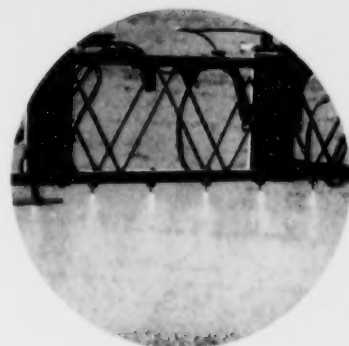
Commodity prices are influenced by several factors, including increased demand for grain in developing countries, decreased global inventories, changes in biofuel production, weather variances, and speculation in the overall market.

Rising commodity prices increase the risk Agricorp manages in the Production Insurance fund. As Ontario producers diversify their crops to remain competitive in today's marketplace, Agricorp must also adapt the way it helps producers manage risks for these new products.

Consequently, Agricorp must be prepared to quickly implement flexible program enhancements that respond to new government priorities.

Food quality

Canadians are increasingly aware of diseases that can affect agricultural products and livestock, as evidenced by the frequency of media reporting on foreign cases of foot and mouth disease and national and international coverage of avian flu. Government recognizes the public's desire to address environmental and food quality issues and their relationship to public health.



Technology

The introduction of business risk management programs to Agricorp's delivery portfolio has occurred over time. As new programs emerged, IT systems were developed to meet program-specific needs. The resulting series of stand-alone solutions, with minimal integration of data and functionality and limited flexibility, has had a negative impact on customer experience.

While Agricorp's IT structure is fundamentally sound, essential needs must be addressed to improve day-to-day work and build capacity for the future.

Agricorp's plans

To meet the priorities above, Agricorp is in the process of dramatically changing the way it delivers programs to customers. Through its multi-year Business Transformation initiative, it is identifying opportunities to improve all aspects of its operations. In the meantime, as part of its three-year Strategic Plan, Agricorp continues to focus resources and efforts on the following objectives:

- Recognizing, respecting, and satisfying the delivery needs of its customers
- Being publicly accountable while providing trusted and transparent delivery of programs
- Improving the quality and efficiency of its program delivery
- Being a partner in developing innovative products and services that help customers manage risk
- Developing engaged, respected, and skilled employees.

Specific and measurable goals have been developed for each of the above objectives, and these are grouped into the following categories:

Customer Service

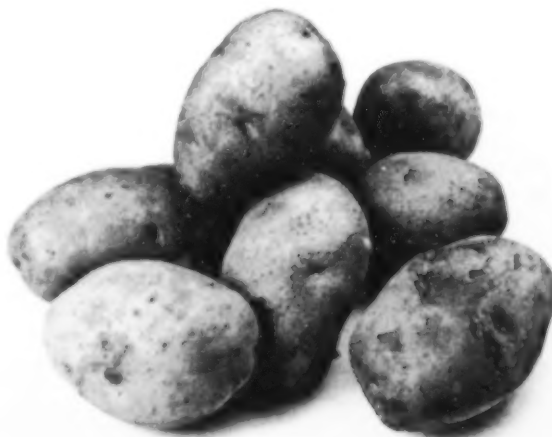
Meeting customers' needs remains one of Agricorp's strongest drivers. The organization's long-term plan is to:

- Deliver more timely, clear, and consistent program information
- Deliver program payments more quickly and accurately
- Improve service options so customers can access their program information and report their farm data to Agricorp
- Provide producers with a comprehensive overview of their farm, program, and financial information with Agricorp.

Public Accountability

As a publicly-funded agency of the government, Agricorp must be accountable, trustworthy, and transparent in its program delivery. The organization already undergoes a rigorous audit schedule and exercises due diligence in reporting its financial activity. Going forward, it will implement several strategies to address its public accountability requirements, including:

- An integrated plan for recovery of program overpayments
- New controls to improve the accuracy of program results and its reporting to the provincial and federal governments
- An enterprise-wide risk management strategy
- Integrated financial functions across programs to produce consolidated financial statements for customers.



Delivery

Improving the quality and efficiency of its delivery is a key priority in the years ahead. To deal with immediate needs, Agricorp has introduced some short-term initiatives such as improving its non-technology dependent processes and allocating resources more effectively when preparing to deliver future ad hoc programs. Over the long term, Agricorp's Business Transformation initiative will also play a large role in improving program delivery.

Its future plans also include:

- Improving program processing times to meet or exceed annual delivery standards
- Developing a comprehensive framework for responding to ad hoc program requests
- Implementing an integrated plan to transition to the suite of business risk management programs under *Growing Forward*
- Creating integrated, streamlined, and sustainable electronic delivery channels to process customer applications, adjudicate files, and deliver timely payments
- Replacing outdated technology-enabled program delivery systems.

Product Market Commitment

Agricorp works with government and industry to develop and deliver innovative programs and services that support the unique needs and diversity of Ontario's agricultural industry. In 2007-08, the organization added crop-specific plans and options to the existing Production Insurance program and delivered new programs that were custom-made for specific sectors. To further its commitment to Ontario producers, it plans to:

- Develop three-year plans that will improve the effectiveness and relevance of Production Insurance for specific sectors
- Design and deliver enhancements to Production Insurance for the horticulture sector under the Fresh Market Vegetable – Acreage Loss plans
- Continue delivering the pilot Risk Management Program for the grains and oilseeds sector

- Work with government partners to define the role of Production Insurance for livestock that is aligned with government priorities
- Implement any new policy changes to AgriStability for 2008, specifically the revised structural change calculation that will more accurately reflect the performance of individual operations.

People

Agricorp's people are the force that holds the organization together and makes it work. Its future success depends on its ability to attract, retain, motivate, and deploy the very best talent. Agricorp must continue to develop a versatile workforce that can quickly respond to ever-changing business needs. It plans to do this by creating and sustaining an environment that ensures it has the right people in the right place doing the right things at the right time. To manage its human resources effectively, Agricorp also plans to:

- Finish implementing a competency-based talent management system that provides employees with the skills and tools they need to succeed and advance in their careers
- Develop an integrated Human Resources strategy and an organizational redesign that enables business transformation across the organization
- Improve training and information available to frontline staff to enable prompt and accurate response to customer enquiries.

Summary

Agricorp will continue to shape its program delivery and services to meet its customers' changing needs. The organization's future will be more customer-focused and efficient, with streamlined processes, enhanced service options, and improved organizational design. As it works to enhance its day-to-day delivery, it will also keep an eye on long-term improvements that will further increase its capacity and expertise.



FINANCIAL *highlights*

IN 2007-08, AGRICORP DELIVERED APPROXIMATELY \$613 MILLION TO ONTARIO FARMERS, \$68 MILLION MORE THAN IN 2006-07. FOLLOWING ARE THE MAJOR PROGRAMS UNDER WHICH THESE FUNDS MADE THEIR WAY TO PRODUCERS.

CAIS/AgriStability Program

The Canadian Agricultural Income Stabilization (CAIS) program has been transitioned to the AgriStability program starting with the 2007 program year. Program payments for 2006 and prior years are made under CAIS. For 2007 and subsequent years, payments are made under AgriStability. In 2007-08, more than 12,000 CAIS/AgriStability participants received program benefits totalling \$235 million. CAIS/AgriStability payments were supplemented by funding under the General Top-Up program and the Production Insurance Premium Adjustments (PIPA) that support the linkage between CAIS/AgriStability and Production Insurance.

Production Insurance Fund

Producers experienced exceptionally dry growing conditions throughout most of Ontario in 2007, as well as higher commodity prices. Agricorp paid out claims of \$107 million, up sharply from \$36 million in 2006. The PI fund balance now stands at \$325 million, up slightly from \$322 million in 2006.

Risk Management Program

RMP is a new three-year pilot program announced by the province in 2007 to help Ontario grain and oilseed producers. This pilot program paid out \$44.5 million to almost 12,000 producers for the 2007 crop year as an advance against the Ontario portion of AgriStability benefits for the 2007 program year.

Government Ad Hoc Programs

Ad hoc programs are used to respond quickly to new pressures in specific agricultural sectors. In 2007, the Ontario government announced, and Agricorp delivered, ad hoc programs, issuing a total of \$195 million in payments. In addition, \$20 million in payments were made under the two transition programs announced in the previous year: the CAIS Inventory Transition Initiative (CITI), funded by the federal government, and the Ontario Inventory Transition Payment (OITP), funded by the province.

Self-Directed Risk Management Program (SDRM)

The SDRM program is a provincially funded risk management program available to Ontario horticulture producers who participated in AgriStability for the 2007 stabilization year. Producers' funds are deposited into an SDRM account and are matched with government provincial dollars. Withdrawals are triggered when the producer experiences income loss related to the 140 horticultural crops covered by the plan. In 2007-08, SDRM participants received \$10.6 million under the program.

General Fund

Agricorp currently invoices through its General Fund both Ontario and Canada for costs incurred in running all of their programs, and as a result, receives funds that are then used to administer them.

Notes

Financial details of various programs are shown in the segmented information in Note 14.



MANAGEMENT'S RESPONSIBILITY FOR *financial reporting*

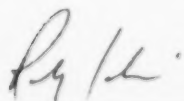
The accompanying financial statements and the financial information in the annual report have been prepared by management. The financial statements have been prepared in accordance with generally accepted Canadian accounting principles. Management is responsible for the accuracy, integrity, and objectivity of the information contained in the financial statements. Financial information contained elsewhere in the annual report is consistent with that contained in the financial statements.

The financial statements include some amounts, such as provision for unsettled indemnities, that are necessarily based on management's best estimates and have been made using careful judgement.

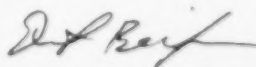
In discharging its responsibility for the integrity and fairness of the financial statements, management maintains financial and management control systems and practices designed to provide reasonable assurance that transactions are authorized, assets are safeguarded, and proper records are maintained. These systems include formal policies and procedures and an organizational structure that provides for appropriate delegation of authority and segregation of responsibilities.

The Board of Directors is responsible for ensuring management fulfills its responsibilities for financial reporting and internal control. The Board meets regularly to oversee Agricorp's financial activities and annually reviews the financial statements.

The financial statements have been examined independently by the Office of the Auditor General of Ontario on behalf of the Legislature and the Board of Directors. The Auditor's Report outlines the scope of their examination and expresses their opinion on the financial statements of the company.



Randy Jackiw
Chief Executive Officer



Erich Beifuss
Chief Financial Officer





Office of the Auditor General of Ontario
Bureau du vérificateur général de l'Ontario

Auditor's Report

To AgriCorp
and to the Minister of Agriculture, Food and Rural Affairs

I have audited the balance sheet of AgriCorp as at March 31, 2008 and the statements of operations and fund balances, and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Gary R. Peall, C.A.
Deputy Auditor General
Licensed Public Accountant

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NOTES TO *financial statements*

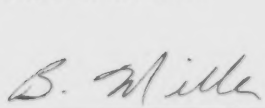
Balance Sheet

March 31, 2008 (\$ thousands)

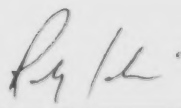
	2008	2007
Assets		
Cash	4,576	13,752
Accounts receivable (Note 5)	421,384	530,897
Investment (Note 6)	382,474	362,002
Capital assets (Notes 7)	3,796	4,540
Funds under administration (Note 8)	531	397
	812,761	911,588
Liabilities & Fund Balances		
Accounts payables and accrued liabilities	49,341	38,218
Unearned premiums and revenue (Note 11)	31,437	17,507
Provision for unsettled indemnities (Notes 13)	390,628	520,383
Funds under administration payable (Note 8)	531	397
	471,937	576,505
Fund Balances (Note 14)	340,824	335,083
	812,761	911,588

See accompanying notes to financial statements.

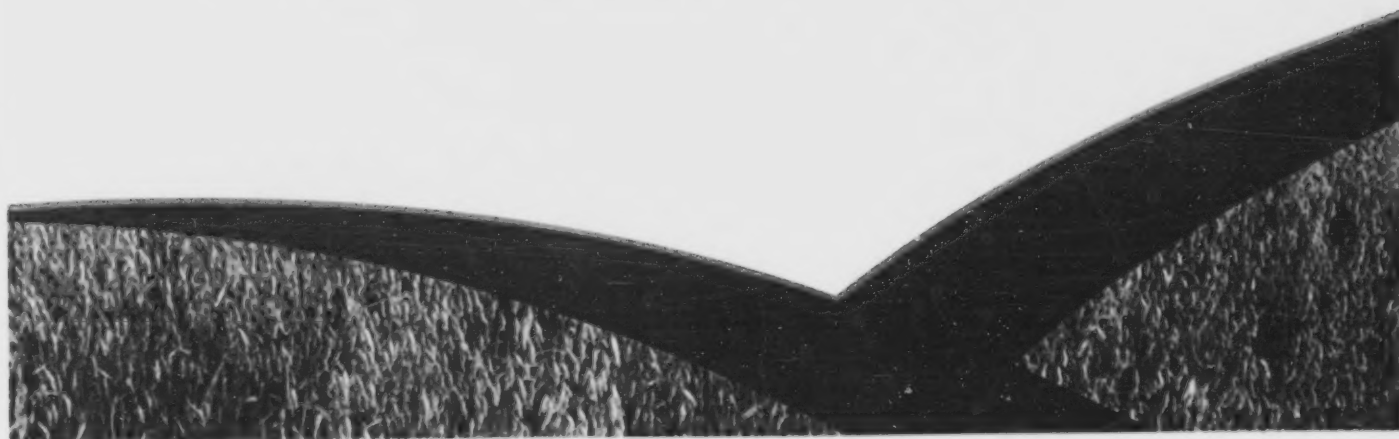
On behalf of the board:



Barbara Miller
Interim Chair



Randy Jackiw
Chief Executive Officer



NOTES TO *financial statements*

Statement of Operations and Fund Balances

March 31, 2008 (\$ thousands)

	2008	2007
Revenue		
Operating funding – Ontario and Canada (Note 10)	34,423	29,605
Premiums/contributions from producers	59,246	55,875
Program funding – Ontario and Canada (Note 4)	413,989	583,452
Sales, consulting and other services	5,778	6,794
Investment income	16,190	13,716
TOTAL REVENUE	529,626	689,442
Expenses		
Indemnities	468,292	564,214
Reinsurance (Note 12)	16,217	13,306
Administration	37,544	34,570
Amortization	2,689	2,021
Bad debts	284	243
TOTAL EXPENSES	525,026	614,354
Excess of revenue over expenses	4,600	75,088
Opening unrealized loss as a result of change in accounting policy (Note 3)	(2,549)	–
Change in fair value of assets classified as available for sale	3,690	–
Fund balances, beginning of year (Note 14)	335,083	259,995
Fund balances, end of year (Note 14)	340,824	335,083

See accompanying notes to financial statements.



NOTES TO *financial statements*

Statement of Cash Flows

March 31, 2008 (\$ thousands)

	2008	2007
Cash Flows from Operating Activities		
Excess of revenue over expenses	4,600	75,088
Other items:		
Amortization of capital assets	2,689	2,021
Amortization of bonds	1,441	1,353
Change in fair value of held for trading securities	23	-
Net change in accounts receivable	109,513	(85,389)
Net change in accounts payable and accrued liabilities	11,123	(15,955)
Net change in unearned premiums and revenue	13,930	(5,028)
Net change in unsettled indemnities	(129,755)	(2,483)
Cash flows from (used in) operating activities	13,564	(30,393)
Cash Flows from Investing Activities		
Purchase of capital assets	(1,945)	(3,573)
Decrease (Increase) in Investments	(20,795)	45,000
Cash flows from (used in) investing activities	(22,740)	41,427
Net increase (decrease) in cash	(9,176)	11,034
Cash, beginning of year	13,752	2,718
Cash, end of year	4,576	13,752

See accompanying notes to financial statements.



NOTES TO *financial statements*

March 31, 2008

1. Nature of Operations

The *Agricorp Act, 1996* established Agricorp as a corporation without share capital. It was established as an Ontario Crown agency on January 1, 1997. Its mandate is to deliver agricultural safety net plans and services to the farm, food, and rural sectors of Ontario. Safety net plans include Production Insurance (PI), the AgriStability Program [which continues the Canadian Agricultural Income Stabilization Program (CAIS)] and the Ontario Risk Management Program (RMP), in addition to a number of other programs that provide various forms of assistance to farmers.

PI was established in 1966 and currently operates pursuant to the Crop Insurance Act (Ontario), 1996. For all major crops grown in Ontario, PI provides insured growers with protection against yield reduction caused by natural perils.

AgriStability was established under the Canada-Ontario Implementation Agreement as a continuation of the CAIS program. AgriStability is in effect for 2007 and subsequent years. This program provides agricultural producers with protection against declines in farm margin.

RMP was established in 2007 under agreement between the Ontario Ministry of Agriculture Food and Rural Affairs (OMAFRA) and Agricorp to provide commodity specific price support based on cost of production to Ontario grain and oilseed producers. This program is in effect for the 2007, 2008 and 2009 crop years.

Since January 2001, the Corporation has also been responsible for the delivery of the Farm Business Registration Program (FBR) established under the Farm Registration and Farm Organizations Funding Act, 1993. Under an agreement with OMAFRA the Corporation's primary obligations include registration of farm businesses, collection of registration fees, and forwarding the fees net of an administrative charge to Ontario's accredited General Farm Organizations.

2. Significant Accounting Policies

(A) Basis of Accounting

The financial statements of Agricorp have been prepared by management in accordance with Canadian generally accepted accounting principles (GAAP). These financial statements are, in management's opinion, properly prepared within reasonable limits of materiality, statutory requirements and the framework of the accounting policies summarized below:

The Corporation uses fund accounting whereby each safety net program's activities are accounted for in segregated funds. The General Fund is used to account for all administrative costs and revenues, as well as for all un-segregated activities.

(B) Capital Assets

Capital assets are stated at cost less accumulated amortization. Amortization is provided using the straight-line method over the estimated useful life of the assets as listed below:

Furniture and fixtures	4 years
Computer hardware	3 years
Computer software	2 years
Leasehold improvements	5 years

(C) Pension Plan

Agricorp sponsors a contributory defined benefit registered pension plan for all full-time employees. The Corporation contributes to the plan based on employee contributions and a factor determined by the plan's independent actuary. The cost of pension benefits for the defined benefit plan is determined by an independent actuary using the projected benefit method prorated on service and management's best estimates of expected plan investment performance, salary escalation, and retirement ages of employees. Pension plan assets are valued using current fair values and any actuarial adjustments are amortized on a straight-line basis over the average remaining service life of the employee group. The most recent actuarial valuation was as of January 1, 2006. The next actuarial valuation is expected to be completed as of January 1, 2009.

NOTES TO *financial statements*

(D) Financial Instruments

Commencing April 1, 2007, Agricorp has classified cash and short-term investments as held-for-trading which are measured at fair value. Held-for-trading financial instruments are carried at fair value with changes in the fair value reported in earnings.

Long-term investments in bonds and debentures are classified either as available-for-sale or held-for-trading and their fair value is determined using quoted market bid prices. Held-for-trading bonds and debentures are recorded at fair value with realized gains and losses on sale and changes in the fair value of these bonds recorded in net investment income in the statement of operations. Available-for-sale bonds and debentures are recorded at fair value with changes in the fair value of these bonds recorded in unrealized gains and losses booked as a charge to net assets. Realized gains and losses on sale are reclassified from net assets and recorded in net investment income in the statement of operations.

Accounts receivable are classified as loans and receivables, which are measured at amortized cost.

Accounts payable, accrued liabilities and provision for unsettled indemnities are classified as other financial liabilities, which are measured at amortized cost.

Agricorp has elected to use trade date accounting for regular-way of purchases and sales of financial assets.

(E) Provision for Unsettled Indemnities

The provision for unsettled indemnities relates to certain claims that remained unsettled at the balance sheet date and were either quantified based on settlement amounts after the balance sheet date or management's best estimates of future amounts to be paid for a program year. Actual indemnity payments could differ from management's estimates.

(F) Revenue Recognition

Premium revenues are recognized in the year in which the related crops are harvested.

(G) Use of Estimates

In order for the financial statements to conform with Canadian generally accepted accounting principles, management makes use of estimates and assumptions that are reflected in the reported assets and liabilities and the disclosure of contingent assets and liabilities at the balance sheet date and the reported revenues, expenses and fund balances during the reporting period. Actual results could differ from such estimates.

(H) Future changes in accounting policy and disclosure

The Canadian Institute of Chartered Accountants (CICA) has issued the following new Handbook Sections that will become effective on April 1, 2008 for Agricorp:

CICA Handbook Section 3862, "Financial Instruments – Disclosures"

CICA Handbook Section 3863, "Financial Instruments – Presentation"

CICA Handbook Section 3862 modifies the disclosure requirements for CICA Handbook Section 3861, "Financial Instruments – Disclosure and Presentation," including required disclosure for the assessment of the significance of financial instruments for Agricorp's financial position and performance and of the extent of risks arising from financial instruments to which Agricorp is exposed and how Agricorp manages those risks. CICA Handbook Section 3863 carries forward the presentation requirements of CICA Handbook Section 3861. Agricorp is currently evaluating the impact of the adoption of these standards.

3. Change in Accounting Policy

On April 1, 2007, Agricorp adopted CICA Handbook Section 3855 "Financial Instruments – Recognition and Measurement," and Section 3861 "Financial Instruments – Presentation and Disclosure." Pursuant to the requirement, these standards have been adopted retroactively with no restatement of prior periods. The adoption of these standards has given rise to the recognition of certain transition adjustments in the opening fund balances.

Under the new standards, all financial instruments are initially recorded on the balance sheet at fair value. They are subsequently valued at amortized cost or fair value depending on the

NOTES TO *financial statements*

classification selected for the financial instrument. Financial assets are classified as either "held-for-trading," "held-for-maturity," "available-for-sale" or "loans and receivables" and financial liabilities are classified as either "held-for-trading" or "other liabilities." Financial assets and liabilities classified as held-for-trading are measured at fair value with changes in fair value recorded in the statement of operations and fund balances. Financial assets classified as held-for-maturity or loans and receivables and financial liabilities classified as other liabilities are subsequently measured at amortized cost using the effective interest method.

All financial instruments, including derivatives, are measured in the balance sheet at fair value except for loans and receivables, held-to-maturity financial assets and other financial liabilities which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification, as follows: held-for-trading financial assets are measured at fair value and changes in fair value are recorded in the operations; available-for-sale financial instruments are measured at fair value with the changes in fair value recorded as a charge to fund balances until the financial instrument is derecognized or impaired at which time the amounts would be recorded in the operations.

Under adoption of these new standards, as at April 1, 2007, Agricorp has classified cash and short-term investments as held-for-trading which are measured at fair value. Long-term investments supporting the PI plan have been designated as available-for-sale and all other investments have been designated as held-for-trading. They are measured at fair value which is determined using quoted market bid prices.

Accounts receivable are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost.

The changes in accounting policies resulted in an adjustment to the opening fund balances as of April 1, 2007 of \$2.5 million which resulted from a decrease of the previous carrying value of investments to their fair value in the amount of \$244.4 million.

4. Canada-Ontario Cost Sharing Agreements

(A) Production Insurance (PI)

The Canada-Ontario Implementation Agreement came into effect April 1, 2003 and has been extended to March 31, 2009. Under the terms of the Agreement, crop producers pay 40% of the insurance premium costs. The Federal and Ontario government share the remainder of the insurance premium costs on the basis of 60% and 40% respectively.

(B) AgriStability

For AgriStability and CAIS, participants must enrol in the program and pay an administration fee and an enrolment fee based on the selected level of coverage and a reference margin based on the individual participant's production margin for specified prior years. A program benefit is paid to the participant based on the participant's selected level of coverage when the participant's current production margin falls below the set reference margin. AgriStability provides coverage for margin declines greater than 15%. The AgriInvest program, which is administered by the Federal Government, provides assistance to farmers for the first 15% of margin declines. The Federal and Ontario governments share the program costs on the basis of 60% and 40% respectively.

(C) Ontario Risk Management Program (RMP)

RMP came into effect August 16, 2007 and expires on March 31, 2011. The program provides Ontario grain and oilseed producers commodity specific price support based on cost of production for the 2007, 2008 and 2009 crop years. The program is fully funded by Ontario and is an advance against Ontario AgriStability.

(D) Ontario Cost Recognition Top-up Program (OCRT)

OCRT came into effect June 7, 2007 and expires on March 31, 2009. This program provides producers with a payment in recognition of increased agricultural production costs over the years 2000 to 2004. The Ontario payment is calculated as 66.67% of the Federal Cost of Production Payment Program. Ontario funding for the Program is limited to \$55 million.



NOTES TO *financial statements*

(E) Self-Directed Risk Management Program (SDRM)

SDRM was established under the Canada-Ontario Implementation Agreement. Under the terms of the agreement, a producer deposits into the Program account a percentage of his eligible net sales and a matching contribution is also made into the account by the Federal and/or Ontario governments. Claims are paid out of the Program account to participants, but the total payment amount for a program year shall not exceed the total available funds in the account. For the 2003, 2004 and 2005 program years, the Federal and Provincial governments agreed to share program costs equally. For program years subsequent to 2005, the program cost is funded by Ontario.

(F) Ontario Cattle, Hog and Horticulture Payment (OCHHP)

OCHHP came into effect December 13, 2007 and expires March 31, 2009. Under the terms of the agreement, producers may be eligible to receive a one-time payment if they received a federal Cost of Production (COP) or OCRT payment, and have at least 50% of their allowable net sales in specified commodities (cattle, hogs and horticulture). The payment is based on a specified formula. This program is funded by Ontario to a maximum amount of \$140 million.

(G) Ontario Grain and Oilseed Program (OGOP)

OGOP came into effect February 21, 2006 and expired March 31, 2007. Under the terms of the agreement, producers of grains and oilseeds may be eligible to receive compensation for losses on their 2005 crops up to a maximum program cost of \$80 million.

(H) General Top-Up Program (GTUP)

GTUP was established under the Canada-Ontario Implementation Agreement. Under the terms of the agreement, producers that participate in CAIS and have received a payment under that program are eligible for a top-up payment that will be based on a fixed percentage of their 2003 and 2004 CAIS government benefits. The Canada-Ontario shared funding for the Program will not exceed \$88 million.

(I) Plum Pox Program

The Plum Pox Program was established pursuant to the Canada-Ontario Agreement on Responding to the Presence of the Plum Pox Virus in Ontario and came into effect on June 29, 2001. The Program is a multi-year plan to carry out plum pox detection surveys and other activities to help contain or eradicate the plum pox virus in Ontario. In addition, the program assists commercial tender fruit growers with the asset loss incurred when trees are removed as part of the plum pox control measures. Canada and Ontario have agreed to share overall program costs based on funds available for agricultural assistance at each level of government.

(J) Market Revenue Program (MRP)

MRP was established pursuant to the Interim Gross Revenue Insurance Plan (GRIP) agreement between the Government of Canada and the provinces and commenced operations on April 1, 1991. The program was intended to protect farmers against reduced income caused by low market prices for certain designated crops. In February 2005, the Ontario Government extended the Market Revenue Program to include the 2003 and 2004 crop years and announced the program will be terminated once all claims have been settled.

(K) Ontario Edible Horticultural Crop Program (OEHCP)

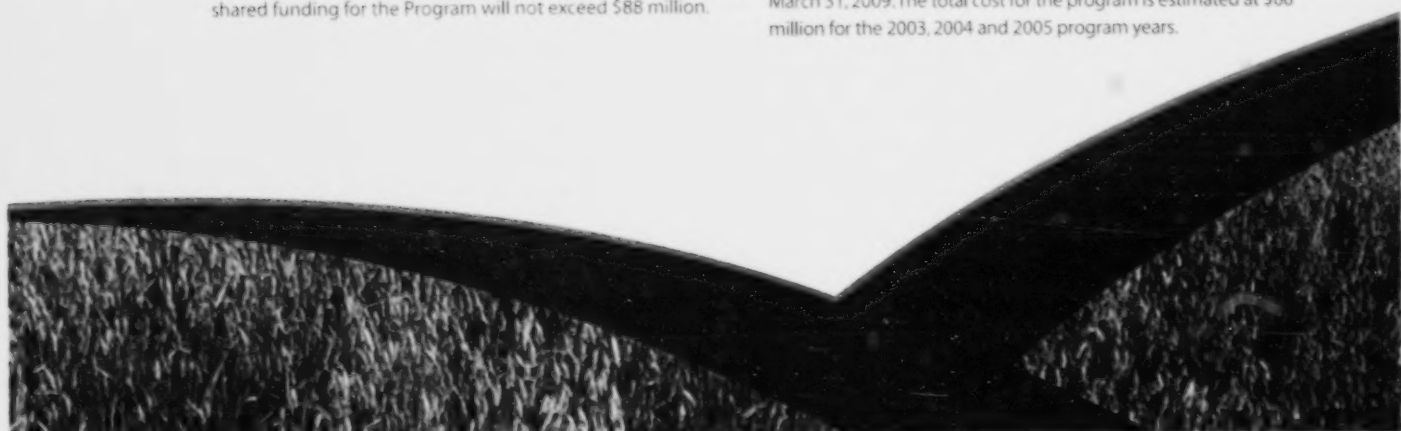
OEHCP Agreement came into effect February 21, 2006 and expired on March 31, 2007. Under the terms of the agreement, Ontario provided a maximum of \$35 million to compensate producers of edible horticulture crops for losses on their 2005 crops.

(L) CAIS Inventory Transition Initiative (CITI)

CITI came into effect May 18, 2006 and was extended to March 31, 2009. The Federal government will pay 100% of the program costs of which \$98 million is expected to be paid to Ontario producers.

(M) Ontario Inventory Transition Program (OITP)

OITP came into effect September 14, 2006 and was extended to March 31, 2009. The total cost for the program is estimated at \$66 million for the 2003, 2004 and 2005 program years.



NOTES TO *financial statements*

(N) Ontario Juice Grape Transition Program (OJGTP)
OJGTP came into effect June 15, 2007 and expires May 31, 2008. Under the terms of the agreement, producers of juice grapes are eligible to receive compensation, based on a maximum amount per acre, for the removal of juice grape vines and support systems. This program is funded by Ontario with an estimated cost of \$2.7 million.

5. Accounts Receivable

Accounts receivable are comprised primarily of amounts due from the Federal and Ontario governments for program payments and amounts due from producers. The allowance for uncollectible amounts relates primarily to estimated uncollectible amounts due from producers as a result of overpayments and recalculations of the benefit due to the producers.

(\$ thousands)	2008	2007
Government funding – Canada	229,285	309,691
Government funding – Ontario	167,525	196,868
Producer receivables	29,218	24,054
Trade	3,958	2,592
Due from Minister of Finance (Note 9)	298	382
Accrued interest	28	205
Allowance for uncollectible amounts	(8,928)	(2,895)
	421,384	530,897

6. Investments

Legislation restricts the Corporation's investments to highly liquid, high-grade instruments such as federal and provincial bonds, deposit notes issued by domestic financial institutions and other securities approved by the Minister of Finance. As a result of the change in accounting policy referred to in Note 3, the net unrealized gain on investments available for sale of \$1.141 million in the PI program is comprised as follows:

	thousands
Opening unrealized loss as a result of change in accounting policy	(2,549)
Change in fair value of assets classified as available for sale	3,690
Unrealized gain on investments classified as available for sale	1,141

(A) Portfolio Profile

Investments are as follows:

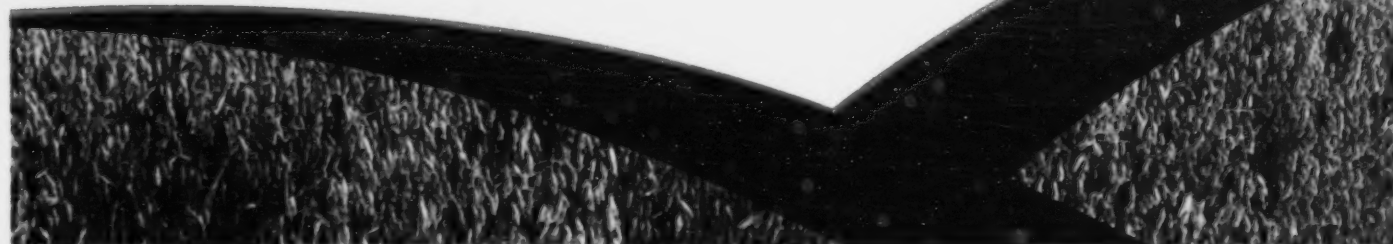
	2008	2007	
(\$ thousands)	Carrying Amount and Fair Value	Carrying Amount	Fair Value
Short-term	97,895	115,073	114,886
Long-term			
Government of Canada	27,383	43,324	43,199
Province of Ontario	103,104	79,472	78,296
Other provincial governments	59,300	48,317	47,409
Provincial utilities	18,092	32,271	32,858
Financial institutions	76,700	43,545	42,618
Total long-term	284,579	246,929	244,380
Total Investments	382,474	362,002	359,266

(B) Investment Risk

The coupon rates for the long-term bond portfolio range from 3.55% to 6.20% with a weighted average yield of 4.20%. Fluctuations in interest rates could have a significant impact on the fair value of the bond portfolio. Although bonds are generally held to maturity, realized gains or losses could result if actual PI claim levels differed significantly from expected claims, and liquidation of long term investments was required to meet obligations.

(C) Maturity Profile of the Investment Portfolio

(\$ thousands)	2008	2007
<1 Year	97,895	115,073
1–3 Years	103,735	82,482
3–5 Years	107,048	75,700
>5 Years	73,796	88,747
Total	382,474	362,002



NOTES TO *financial statements*

7. Capital Assets

(\$ thousands)	March 31, 2008		2007	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer hardware	5,671	(4,793)	878	831
Computer software	5,992	(4,809)	1,183	2,259
Leasehold improvements	1,855	(789)	1,066	978
Furniture and fixtures	1,182	(513)	669	472
	14,700	(10,904)	3,796	4,540

8. Funds Under Administration

The Corporation provides cheque production and cash management services for agricultural programs under various agreements with OMAFRA. The funds required to make payments under these programs are provided by Ontario and Canada. Associated program payments and expenses are not recorded in these Financial Statements.

(\$ thousands)	2008	2007
Funds Under Administration		
Cash	531	397
Funds Under Administration Payable		
Advanced Ontario Agricultural Payment	436	119
Ontario Farm Business Registration Program	69	258
Ontario Farm Income Disaster Program	19	12
Other	7	8
	531	397

9. Due From The Minister of Finance

Pursuant to Order-in-Council 1546/91, an account has been established in the Ontario Government's Consolidated Revenue Fund to receive Market Revenue Program contributions from Canada and Ontario. Interest is paid quarterly on the account's average daily closing value based on the average Bank of Canada Treasury bill rate. This account is used to administer the Program and cannot be accessed for the general operating, financing and investing activities of the Corporation. See Note 5.

10. Operating Funding – Ontario and Canada

Canada and Ontario have agreed to share the costs of administering PI, AgriStability and GTUP at the rate of 60% and 40% respectively. The cost to administer SDRM and Plum Pox (Asset Loss/Financial Assistance) is funded by the Federal Government and/or Ontario, depending on the program year. The cost to administer the RMP, OCRT, OCHHP, OGOP, MRP, OEHP, OITP and OJGTP programs is funded by Ontario. The cost to administer the Plum Pox (Sampling) and CITI program is funded by the Federal Government.

11. Unearned Premiums and Revenue

Unearned premiums represent premiums (\$25.3 million) paid in advance to PI for crops that have yet to be harvested. These crops are not harvested until after the balance sheet date, giving rise to the deferral of the premiums received. Unearned revenue includes operating funding related primarily to the unamortized value of capital assets (\$3.8 million) and administrative costs paid by Ontario and Canada that are to be recovered from AgriStability participants (\$2.4 million) when future program payments are made.

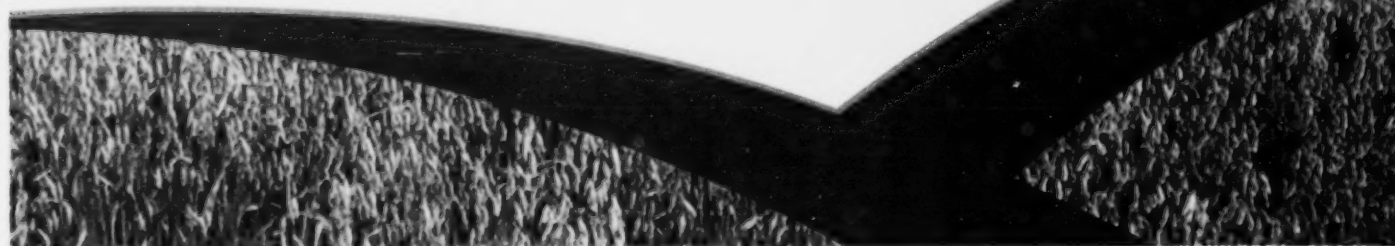
12. Reinsurance Agreement

The Corporation has an ongoing program of reinsurance with a number of insurance carriers. This program provides for the reinsuring companies to assume PI losses based on negotiated thresholds.

13. Indemnities

The operating results for the current period includes over (under) provision for unsettled indemnities for prior years as follows:

	2008	2007
(\$ thousands)		
Fund/Program	Over (Under) Provision	Over (Under) Provision
PI	396	1,820
AgriStability	63,800	61,000
OGOP	—	2,994
SDRM	(10,000)	2,037
CITI	46,000	—
OITP	30,700	—
GTUP	3,243	—



NOTES TO *financial statements*

14. Segmented Information (2008)

(\$ thousands)

Balance Sheet	General Fund	F1	Agri-Stability (CAIS)	RMP	OCRT	SDRM	OCHHP	Other	Total 2008
Cash	796	92	2,507	8	351	162	277	383	4,576
Accounts receivable	9,434	6,805	350,876	6,876	1,360	10,843	10,000	25,190	421,384
Investment	2,996	349,311	14,991	2,898	1,997	2,297	999	6,985	382,474
Capital assets	3,796	-	-	-	-	-	-	-	3,796
Funds under administration	531	-	-	-	-	-	-	-	531
Total Assets	17,553	356,208	368,374	9,782	3,708	13,302	11,276	32,558	812,761
Accounts payables and accrued liabilities	5,410	-	26,946	436	633	324	913	14,679	49,341
Unearned premiums and revenue	3,796	25,263	2,378	-	-	-	-	-	31,437
Provision for unsettled indemnities	-	5,762	331,140	9,346	3,075	12,978	10,363	17,964	390,628
Funds under administration payable	531	-	-	-	-	-	-	-	531
Total Program Liabilities	9,737	31,025	360,464	9,782	3,708	13,302	11,276	32,643	471,937
Fund Balances	7,816	325,183	7,910	-	-	-	-	(85)	340,824
Total Liabilities and Fund Balances	17,553	356,208	368,374	9,782	3,708	13,302	11,276	32,558	812,761

NOTES TO *financial statements*

14. Segmented Information (2008) – Other – (\$ thousands)

Balance Sheet	OGOP	GTUP	Plum Pox	OJGTP	MRP	OEHCP	CITI	OITP	Total Other
Cash	18	103	168	–	–	44	23	27	383
Accounts receivable	15	378	4,509	199	341	53	11,588	8,107	25,190
Investment	–	3,490	–	–	–	–	1,997	1,498	6,985
Capital assets	–	–	–	–	–	–	–	–	–
Funds under administration	–	–	–	–	–	–	–	–	–
Total Assets	33	3,971	4,677	199	341	97	13,608	9,632	32,558
Accounts payables and accrued liabilities	33	3,289	299	–	198	97	6,101	4,662	14,679
Unearned premiums and revenue	–	–	–	–	–	–	–	–	–
Provision for unsettled indemnities	–	682	4,378	199	228	–	7,507	4,970	17,964
Funds under administration payable	–	–	–	–	–	–	–	–	–
Total Program Liabilities	33	3,971	4,677	199	426	97	13,608	9,632	32,643
Fund Balances	–	–	–	–	(85)	–	–	–	(85)
Total Liabilities and Fund Balances	33	3,971	4,677	199	341	97	13,608	9,632	32,558



NOTES TO *financial statements*

14. Segmented Information (2007)

(\$ thousands)

Balance Sheet	General Fund	PI	Agri-Stability (CAIS)	RMP	OCRT	SDRM	OCHHP	Other	Total 2007
Cash	330	1,317	10,925	-	-	178	-	1,002	13,752
Accounts receivable	9,938	4,068	410,711	-	-	10,516	-	95,664	530,897
Investment	2,991	328,818	-	-	-	2,492	-	27,701	362,002
Capital assets	4,540	-	-	-	-	-	-	-	4,540
Funds under administration	397	-	-	-	-	-	-	-	397
Total Assets	18,196	334,203	421,636	-	-	13,186	-	124,367	911,588
Accounts payables and accrued liabilities	5,434	-	23,996	-	-	833	-	7,955	38,218
Unearned premiums and revenue	4,540	10,878	2,089	-	-	-	-	-	17,507
Provision for unsettled indemnities	-	1,517	390,001	-	-	12,353	-	116,512	520,383
Funds under administration payable	397	-	-	-	-	-	-	-	397
Total Program Liabilities	10,371	12,395	416,086	-	-	13,186	-	124,467	576,505
Fund Balances	7,825	321,808	5,550	-	-	-	-	(100)	335,083
Total Liabilities and Fund Balances	18,196	334,203	421,636	-	-	13,186	-	124,367	911,588

NOTES TO *financial statements*

14. Segmented Information (2007) – Other – (\$ thousands)

Balance Sheet	OGOP	GTUP	Plum Pox	OJGTP	MRP	OEHCP	CITI	OITP	Total Other
Cash	18	463	–	–	–	8	(213)	726	1,002
Accounts receivable	–	14,295	1,865	–	424	202	46,884	31,994	95,664
Investment	–	5,856	–	–	–	–	13,901	7,944	27,701
Capital assets	–	–	–	–	–	–	–	–	–
Funds under administration	–	–	–	–	–	–	–	–	–
Total Assets	18	20,614	1,865	–	424	210	60,572	40,664	124,367
Accounts payables and accrued liabilities	18	3,616	481	–	169	210	2,259	1,202	7,955
Unearned premiums and revenue	–	–	–	–	–	–	–	–	–
Provision for unsettled indemnities	–	16,998	1,384	–	355	–	58,313	39,462	116,512
Funds under administration payable	–	–	–	–	–	–	–	–	–
Total Program Liabilities	18	20,614	1,865	–	524	210	60,572	40,664	124,467
Fund Balances	–	–	–	–	(100)	–	–	–	(100)
Total Liabilities and Fund Balances	18	20,614	1,865	–	424	210	60,572	40,664	124,367



NOTES TO *financial statements*

14. Segmented Information (2008)

(\$ thousands)

Statement Of Operations And Fund Balances	General Fund	PI	Agri-Stability (CAIS)	RMP	OCRT	SDRM	OCHHP	Other	Total 2008
Revenue									
Operating funding	34,423	—	—	—	—	—	—	—	34,423
Premiums/contributions from producers	—	45,021	8,945	—	—	5,280	—	—	59,246
Program funding	—	68,909	159,380	55,800	51,798	5,280	140,000	(67,178)	413,989
Sales, consulting and other services	5,778	—	—	—	—	—	—	—	5,778
Investment Income	23	16,155	—	—	—	—	—	12	16,190
Total Revenues	40,224	130,085	168,325	55,800	51,798	10,560	140,000	(67,166)	529,626
Expenses									
Indemnities	—	111,604	165,708	55,800	51,798	10,560	140,000	(67,178)	468,292
Reinsurance	—	16,217	—	—	—	—	—	—	16,217
Administration	37,544	—	—	—	—	—	—	—	37,544
Amortization of capital assets	2,689	—	—	—	—	—	—	—	2,689
Bad debts	—	30	257	—	—	—	—	(3)	284
Total Expense	40,233	127,851	165,965	55,800	51,798	10,560	140,000	(67,181)	525,026
Excess (deficiency) of revenue over expenses	(9)	2,234	2,360	—	—	—	—	15	4,600
Opening unrealized loss as a result of change in accounting policy	—	(2,549)	—	—	—	—	—	—	(2,549)
Change in fair value of assets classified as available for sale	—	3,690	—	—	—	—	—	—	3,690
Fund Balances, beginning of year	7,825	321,808	5,550	—	—	—	—	(100)	335,083
Fund Balances, end of year	7,816	325,183	7,910	—	—	—	—	(85)	340,824

NOTES TO *financial statements*

14. Segmented Information (2008) – Other – (\$ thousands)

Statement of Operations and Fund Balances	OGOP	GTUP	Plum Pox	OJGTP	MRP	OEHCP	CITI	OITP	Total Other
Revenue									
Operating funding	-	-	-	-	-	-	-	-	-
Premiums/contributions from producers	-	-	-	-	-	-	-	-	-
Program funding	5	(1,853)	5,594	2,707	-	(40)	(44,136)	(29,455)	(67,178)
Sales, consulting and other services	-	-	-	-	-	-	-	-	-
Investment Income	-	-	-	-	12	-	-	-	12
Total Revenues	5	(1,853)	5,594	2,707	12	(40)	(44,136)	(29,455)	(67,166)
Expenses									
Indemnities	5	(1,853)	5,594	2,707	-	(40)	(44,136)	(29,455)	(67,178)
Reinsurance	-	-	-	-	-	-	-	-	-
Administration	-	-	-	-	-	-	-	-	-
Amortization of capital assets	-	-	-	-	-	-	-	-	-
Bad debts	-	-	-	-	(3)	-	-	-	(3)
Total Expense	5	(1,853)	5,594	2,707	(3)	(40)	(44,136)	(29,455)	(67,181)
Excess (deficiency) of revenue over expenses	-	-	-	-	15	-	-	-	15
Opening unrealized loss as a result of change in accounting policy	-	-	-	-	-	-	-	-	-
Change in fair value of assets classified as available for sale	-	-	-	-	-	-	-	-	-
Fund Balances, beginning of year	-	-	-	-	(100)	-	-	-	(100)
Fund Balances, end of year	-	-	-	-	(85)	-	-	-	(85)

NOTES TO *financial statements*

14. Segmented Information (2007)

(\$ thousands)

Statement of Operations and Fund Balances	General Fund	PI	Agri-Stability (CAIS)	RMP	OCRT	SDRM	OCHHP	Other	Total 2007
Revenue									
Operating funding	29,605	-	-	-	-	-	-	-	29,605
Premiums/contributions from producers	-	41,194	10,686	-	-	3,995	-	-	55,875
Program funding	-	63,064	277,145	-	-	3,995	-	239,248	583,452
Sales, consulting and other services	6,794	-	-	-	-	-	-	-	6,794
Investment Income	407	13,293	-	-	-	-	-	16	13,716
Total Revenues	36,806	117,551	287,831	-	-	7,990	-	239,264	689,442
Expenses									
Indemnities	-	33,673	283,177	-	-	7,990	-	239,374	564,214
Reinsurance	-	13,306	-	-	-	-	-	-	13,306
Administration	34,570	-	-	-	-	-	-	-	34,570
Amortization of capital assets	2,021	-	-	-	-	-	-	-	2,021
Bad debts	-	244	-	-	-	-	-	(1)	243
Total Expense	36,591	47,223	283,177	-	-	7,990	-	239,373	614,354
Excess (deficiency) of revenue over expenses	215	70,328	4,654	-	-	-	-	(109)	75,088
Fund Balances, beginning of year	7,610	251,480	896	-	-	-	-	9	259,995
Fund Balances, end of year	7,825	321,808	5,550	-	-	-	-	(100)	335,083



NOTES TO *financial statements*

14. Segmented Information (2007) – Other – (5 thousands)

Statement of Operations and Fund Balances	OGOP	GTUP	Plum Pox	OJGTP	MRP	OEHCP	CITI	OITP	Other Programs Total
Revenue									
Operating funding	-	-	-	-	-	-	-	-	-
Premiums/contributions from producers	-	-	-	-	-	-	-	-	-
Program funding	(2,994)	1,700	934	-	(126)	(122)	144,000	95,856	239,248
Sales, consulting and other services	-	-	-	-	-	-	-	-	-
Investment Income	-	-	-	-	16	-	-	-	16
Total Revenues	(2,994)	1,700	934	-	(110)	(122)	144,000	95,856	239,264
Expenses									
Indemnities	(2,994)	1,700	934	-	-	(122)	144,000	95,856	239,374
Reinsurance	-	-	-	-	-	-	-	-	-
Administration	-	-	-	-	-	-	-	-	-
Amortization of capital assets	-	-	-	-	-	-	-	-	-
Bad debts	-	-	-	-	(1)	-	-	-	(1)
Total Expense	(2,994)	1,700	934	-	(1)	(122)	144,000	95,856	239,373
Excess (deficiency) of revenue over expenses	-	-	-	-	(109)	-	-	-	(109)
Fund Balances, beginning of year	-	-	-	-	9	-	-	-	9
Fund Balances, end of year	-	-	-	-	(100)	-	-	-	(100)

NOTES TO *financial statements*

15. Pension Plan

The Corporation has a mandatory contributory defined benefit plan for its full-time employees. The changes for the defined benefit plan of Agrimcorp during the year are as follows:

(\$ thousands)	2008	2007
Accrued benefit obligation		
Balance at beginning of year	10,565	8,152
Current service cost	1,225	1,215
Interest cost	691	556
Employee contributions	947	844
Benefits paid	(253)	(202)
Balance at end of year	13,175	10,565
Plan assets		
Fair value at beginning of year	9,243	6,698
Actual return (loss) on plan assets	(788)	883
Employer contributions	1,159	1,020
Employee contributions	947	844
Benefits paid	(253)	(202)
Fair value at end of year	10,308	9,243
Funded status		
Plan surplus (deficit)	(2,867)	(1,322)
Unamortized actuarial (gain)/ loss	2,547	1,065
Unamortized transitional (obligation)/asset	(104)	(117)
Accrued benefit (obligation)/asset	(424)	(374)

The accrued benefit obligation for the pension plan is included in accounts payable and accrued liabilities.



NOTES TO *financial statements*

15. Pension Plan (Continued)

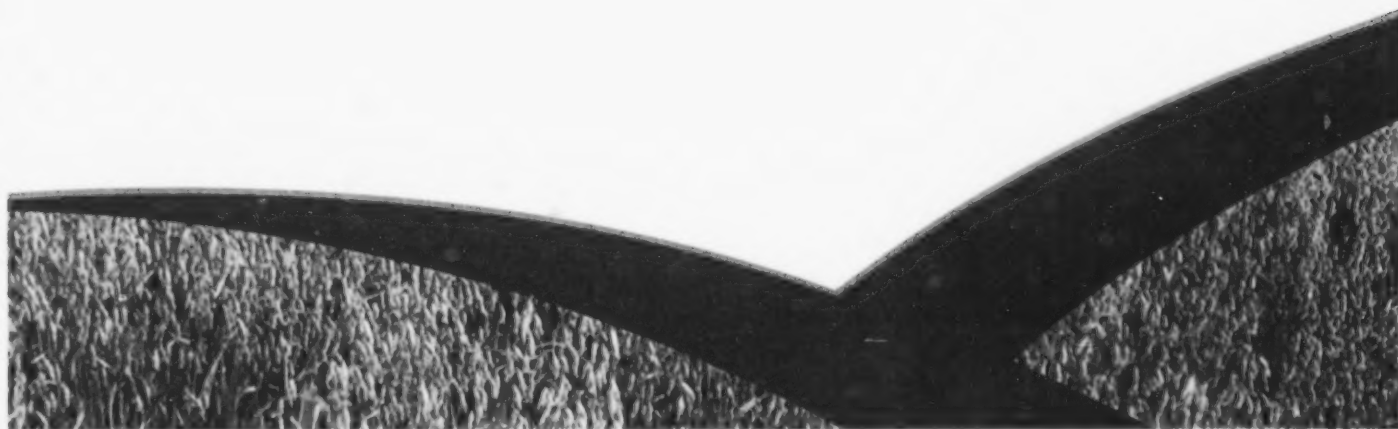
The significant actuarial assumptions adopted in measuring the accrued benefit obligations of the Corporation are as follows:

	2008	2007
Discount rate	5.5%	5.5%
Expected long-term rate of return on plan assets	7.0%	7.0%
Rate of compensation increase	4.0%	4.0%

The net benefit plan expense is as follows:

(\$ thousands)	2008	2007
Current service cost	1,225	1,215
Interest cost	691	556
Expected return on plan assets	(700)	(527)
Amortization of transitional (obligation) asset	(13)	(13)
Amortization of unrecognized loss	6	41
Net benefit plan expense	1,209	1,272

An external investment advisor manages the investments held by the pension plan. Plan assets are invested in three balanced funds.



NOTES TO *financial statements*

16. Commitments and Contingencies

Lease commitments

Agricorp leases its office premises. The minimum aggregate rentals for the unexpired terms of these leases are:

(\$ thousands)

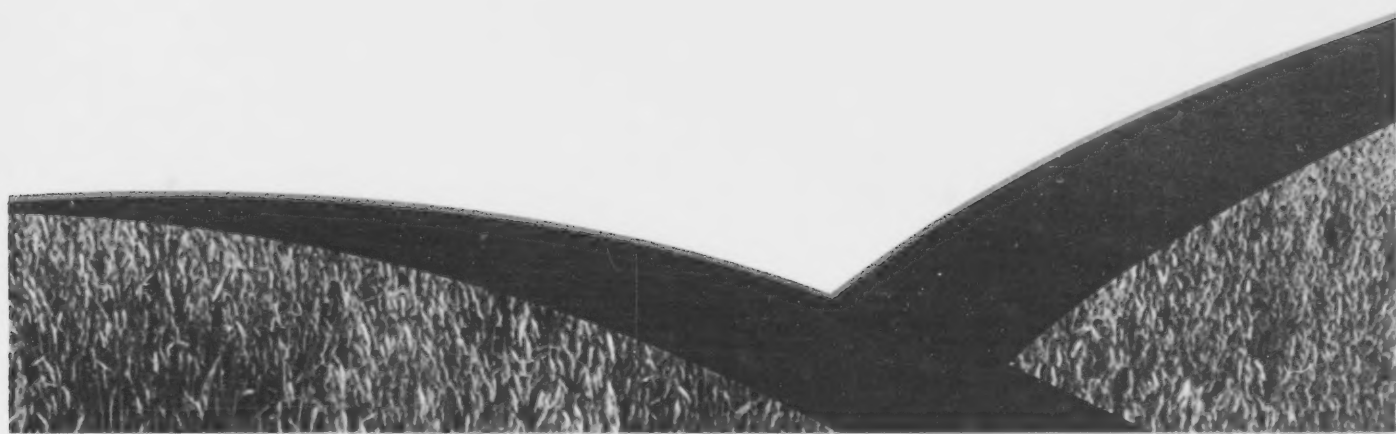
2009	1,431
2010	1,431
2011	1,431
	4,293

Contingencies

The Corporation provides for the estimated indemnities for the various programs based on crop years for PI and RMP, and taxation years for AgriStability and most other programs. The primary information for the processing of the claims for 2007 AgriStability (and other similar programs) is based on information that is not due to Agricorp until June 30, 2008. Consequently, Agricorp estimates the amount that is expected to be payable for the year based on statistical data, prior year information, and farm production prices. The actual amount payable for these indemnities could vary substantially from the amount recorded in the financial statements. See Note 13.

17. Related Party Transactions

The Corporation has entered into several agreements to acquire services from OMAFRA. The cost for administrative, legal and audit services amounted to \$577 thousand. In addition, the Corporation rents its head office location from the Ontario Realty Corporation for a total cost for the year of \$2.113 million.



NOTES TO *financial statements*

18. Board Remuneration and Salary Disclosure

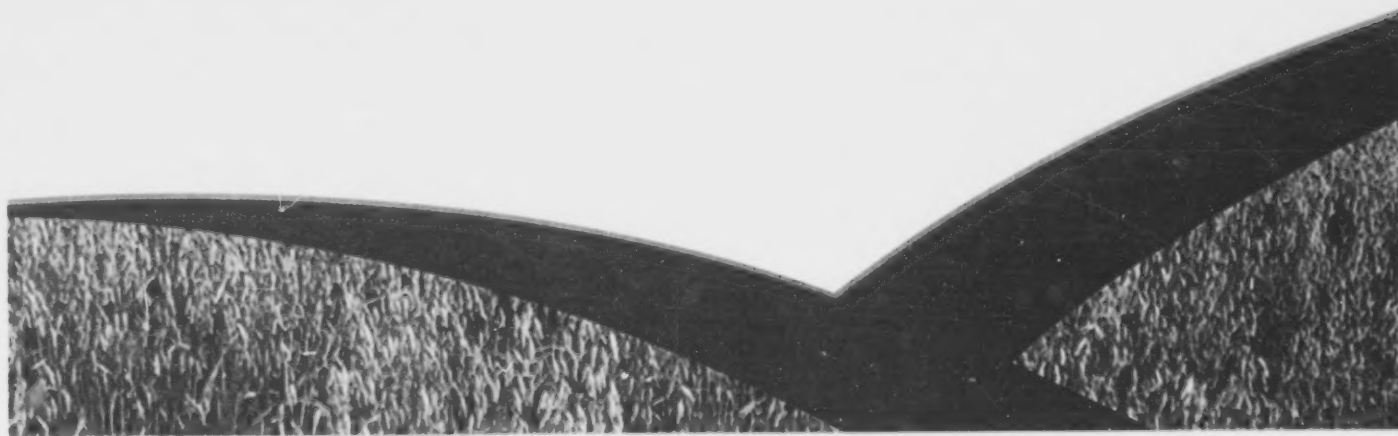
Total remuneration to members of the Board of Directors was \$22,421 during the year ending March 31, 2008 (2007 – \$26,460).

The *Public Sector Salary Disclosure Act, 1996*, requires the Corporation to disclose employees paid an annual salary in excess of \$100,000. For the 2007 calendar year, the amounts paid to such employees are:

Name	Position	Salary	Taxable Benefits
Beifuss, Erich	Chief Financial Officer	132,305	513
Brown, Greg	Director, Risk Management	112,237	10,386
Gallagher, Jocelyn	Senior Director, Human Resources & Organizational Development	122,377	459
Ip, Stephen	Director, Information Technology	110,744	6,433
Jackiw, Randy	Chief Executive Officer	165,893	1,260
McMorris, Mike	Senior Director, Business Transformation	112,316	442
Vlcek, Michael	Senior Director, Program Development	109,703	433
Wong, Roxana	Senior Project Manager	103,210	391

19. Comparative Amounts

Certain comparative amounts have been reclassified to conform to the financial statements presentation adopted in the current year.





An agency of the Government of Ontario
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